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1938

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Thesis

INTERPRETING ECONOMIC DEMOCRACY TO THE  
HIGH SCHOOL STUDENT

Submitted by

Alvin Burton Cline

(A.B., Dartmouth College, Hanover, N.H., 1935)

in partial fulfillment of requirements for  
the degree of Master of Education

1938

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School of Education  
June 27, 1938  
17002



I wish to express sincere appreciation to Professor John J. Mahoney and Professor George K. Makechnie for the constructive criticism which they have given me during the preparation of this thesis.



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# TABLE OF CONTENTS

## PART I- INFORMATIONAL BACKGROUNDS

<u>CHAPTER</u>		<u>Page</u>
I	INTRODUCTION	1
II	THE WORLD OF WORK IN EUROPE	7
	Feudalism	7
	Rise of Towns and Cities	11
	Mercantilism	18
	Industrial Revolution	19
	Summary	22
III	THE WORLD OF WORK IN AMERICA	26
	Early Agricultural Economy	26
	Beginnings of Industry	30
	Big Business	35
	Government Regulation	38
	Prosperity	44
	Depression	50
	New Deal	52
	Summary	54
IV	PRESENT DAY ECONOMIC SYSTEMS COMPARED	58
	Capitalism	59
	Communism	61
	Fascism	67
	Summary	71

## PART II- PRACTICAL MATERIAL

V	OUTLINING A COURSE OF STUDY IN ECONOMICS	74
	Objectives	74
	Suggested Subjects for Development as Units	75
	Methods in Unit Plan Instruction	78
	Planning Individual Work	79
VI	A SAMPLE UNIT	81
	Economic Nationalism	81

## APPENDIX

A	CAPITALISM	86
B	SOCIALISM	88
C	FASCISM	90
D	COMMUNISM	92





CHAPTER

Page

E THE MANAGEMENT OF BUSINESS

94

F HOW OUR GOVERNMENT AIDS AND CONTROLS  
BUSINESS

97





PART I

INFORMATIONAL BACKGROUNDS



## CHAPTER I

### INTRODUCTION

It has been said that we are a nation of economic illiterates. That statement may have been exaggerated for effect, but there is enough truth in it to make one wonder whether our public school system has not been guilty of a failure to give the American people an adequate general background of economic information.

In liberal arts colleges there has been a great increase in enrollment in social studies courses during the last decade, and economics has received its due share of that increase; but in the secondary school, economics is still neglected.<sup>1</sup> We are living in an age of complicated industrial and financial affairs. Economic forces play an important part in the life of every person today and it is necessary that everyone should have an intelligent working knowledge of at least the elementary principles of economics.

Although we have a comparatively large proportion of our population in college, it is, nevertheless, true that the average citizen of the United States receives no more than a secondary school training. Whatever economic enlightenment he is going to receive must come at that level. Is it necessary that he be enlightened? It certainly is ! Because it is the

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1. See p.4 1. 3





average citizen of the United States who votes and chooses the men who run our government. His vote counts as much as that of the Ph. D. in economics-and there are more of him. As a matter of fact, although there are no reliable statistics to prove the point, it is commonly accepted that the college graduate is less likely to take the trouble to vote than the average citizen.

What difference does that make? What has economics to do with voting? Just this- that our political and economic systems are becoming more and more closely connected. We are going back to the old classification of political economy as one science rather than the two separate fields of government and economics. Today the most important functions of government have to do with the economic life of the governed. Roosevelt's 'New Deal' is based on economic theory, and in order to understand it, one must have some degree of economic background.

Human beings tend to simplify complex situations and to believe in easy cure alls for our ills. This is particularly true in the field of economics, and it is also true that the man who has had the least training in economics will believe in such inadequate panaceas most readily. If he does not have enough facts at his command to criticize intelligently, he is more likely to let emotional catch words sway him.

'Share the Wealth' ! 'Social Justice' ! 'Social Credit' ! 'The Townsend Plan' ! 'A New Deal' ! -all these catch words do tend to arouse the emotions rather than the intelligence. I use





these particular catch words merely as examples without meaning to pass final judgment on the movements they represent, but with the exception of the 'New Deal', they all maintain that one simple procedure will cure all our economic ills. They all have a pseudo-logical basis. They sound good to the willing ear but not to the coldly critical brain. The terrible economic crisis in Alberta because of the attempt to put 'Social Credit' into operation is a warning that panaceas must be carefully scrutinized.

We need economic intelligence, therefore, in order to keep out of the clutches of political demagogues and crackpot visionaries. We need economic intelligence to teach us that there is no easy way out of our troubles, and the most obvious way to obtain at least a background for that intelligence is to teach economics in the public schools. Such teaching must be vital. Students must understand that such matters affect their daily lives in countless ways. The connection between national events in newspaper headlines, government and economics should be shown clearly.

We also need economic intelligence to better appraise contemporary economic systems in other lands. We hear much of Fascism, Communism, Socialism and Collectivism as something foreign, something not desired here. Those systems are primarily economic even though they have changed the political and social life in the countries they dominate to conform to the economic changes. It is too easy to be swayed by the

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emotions rather than by the intelligence when considering such foreign systems. An adequate economic background would make it easier to keep an emotional balance. There is economic unrest in the world today. Prosperity in the long run makes or breaks governments. There is much foreign news in the headlines, but it is not entirely intelligible to the economic illiterate.

It may seem to some that we are already doing enough in the field of economics in the secondary schools. Games, in his thesis Economics in the High School with a Suggested Functional Course shows that only 5.1% of pupils registered in the secondary schools of the United States studied economics during the school year 1927-1928 and that there has been no marked increase in recent years.<sup>1</sup> These findings are based on the research of the Biennial Survey of Education<sup>2</sup> and are corroborated by Tryon who used the same source of information.<sup>3</sup> It is true that many pupils who did not study economics were enrolled in classes in Problems of Democracy, but the latter course does not necessarily concern itself to any great extent with economics. In any case these figures show that the majority of high school students in the United States are not being taught economics.

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1. Frank Swett Games, Economics in the High School with a Suggested Functional Course-Table 7

2. Biennial Survey of Education, 1926-28 p.1060

3. Rolla Milton Tryon, The Social Sciences as School Subjects p.364





In regard to the courses of study which Games surveyed, he says:

"When the available courses of study are considered from the standpoint of contemporary life, their limitations constitute a challenge to all competent teachers and leaders in the field, who have always been humble in their claims and efforts, despite the frequently inflated claims made for the social studies by educators less familiar with the basic problems".<sup>1</sup>

In regard to his textbook analysis Games says the following:

....."because a book has been published since 1929 does not indicate that it includes the problems that were both a cause and an effect of the depression..... certain authors recognize the importance of current economic problems, but few develop them fully....For example, little attention is given to the consumer and the knowledge necessary to develop intelligent buying habits. It is essential for teachers to enrich the course by introducing live, practical material which will challenge the pupil, if they are to create an abiding interest in economic problems".<sup>2</sup>

Games survey clearly points out that a comparatively small proportion of our students are studying economics, and that both our textbooks and curricula in the field are inadequate. A problem does exist.

However, in order for the teacher, himself, to have the proper perspective, it is necessary that he have certain informational backgrounds concerning the historical development of

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1. Frank Swett Games Economics in the High School with a Suggested Functional Course p.38

2. Frank Swett Games ibid., p.84

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our economic system and a comparison of our system with others in operation in the world today. In the following pages of Part I, I shall present a brief condensation of that necessary information for the teacher.

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Games, Frank Swett Economics in the High School with a Suggested Functional Course, Table 7, p.38, p.84  
Unpublished Thesis, Boston University School of Education, Boston, 1937

Biennial Survey of Education, 1926-28, United States Department of the Interior, Office of Education, p.1060, Washington, D.C., Government Printing Office

Tryon, Rolla Milton, The Social Sciences as School Subjects, p.364, report of the Commission on the Social Studies of the American Historical Society, Charles Scribner & Sons, New York, 1935.





## CHAPTER II

### THE WORLD OF WORK IN EUROPE

History is not a dead and purely academic science if it helps us to better understand our own times. As a corollary it follows that in order to understand contemporary movements, we must examine their historical development. Therefore, if we wish to consider our present economic system, we need an informational background of economic history.

Just as we have taken our political and social institutions from Europe and then developed them after our own fashion, so have we done with economic institutions. It is a question where to start discussion of European economic backgrounds, for European history in some phase goes back to the beginning of recorded time, but there seems to be a definite break in the sequence of events at the end of the Roman Empire. At that time civilization almost disintegrated, and that which rose on the ruins was a new beginning.

#### Feudalism

"The collapse of the relatively well ordered and peaceful Roman imperial system in the 5th century was followed by a long period of turmoil and disorder. Due to the absence of any effective central government, the individual was driven to seek protection from some powerful lord of his locality. In return for security, he bound himself to render to this lord various specified services and payments. Gradually a complex and disorderly mass of social, political and military customs and relationships was evolved which is known as feudalism. It is





essential to an understanding of modern times to have some knowledge of the rural and urban life which characterized the feudal age.<sup>1</sup>

The feudal society was an example of collectivism long antedating Soviet Russia. It was an answer to the challenge of insecurity. Rugged individualism at that time would have led to the destruction of the weak. It is true that this collectivism was different from the modern type in that it was not national in scope, for national feeling was then totally unknown.

"The manorial system was created by taking as a beginning the Roman system of organizing the cultivation of a great estate as a unit managed from a common center, the villa, and adding to it the practice of attaching the agricultural laborers to the soil so that they could not leave it themselves or be removed by the landlord."<sup>2</sup>

The feudal system was divided into two parts, political and agricultural. The latter is usually called the manorial system, and the manors were the unit of economic life. These manors are somewhat similar to collectivistic and state owned farms in Russia today in which all labor for the common good under a central management and pay taxes to that management. The difference lies in the fact that under feudalism the manager was a hereditary lord deriving his authority from his

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1. The Development of Modern Social, Economic and Political Institutions, p.15, syllabus of Social Science 1, Dartmouth College.

2. George Burton Adams, Civilization During the Middle Ages p.193



overlord, while in Russia the manager may be appointed by the government or elected by the members of the farm. The proportion of income paid in taxes to the overlord was probably greater than that paid to the Soviet government, but the fact has not been proven. In most cases the condition of the serf was miserable compared with that of the Russian cooperative farmer, but that was partly due to the general lack of wealth at that time and ignorance of how to create it. The lord was a member of an hereditary aristocracy, but he represented paternal government and had a duty corresponding to every right. Just as the condition of the underprivileged today, so was the condition of ~~the~~ upper classes then worse than that of their corresponding classes today. In some respects a W.P.A. worker today has more convenience than a lord of the Middle Ages.

"Life in a medieval castle was not the thing depicted by romantic novelists and poets. The age was a hard one and imposed hard conditions of living."<sup>1</sup>

Food was monotonously simple. The buildings were either cold forts of stone or huge, barnlike structures of wood. Life was dull. Infant mortality was high. Old age was rare. Society was static and developed on a rural level. There were many villages but few towns. There was, of course, no machinery and handcraft was almost forgotten, so there was little manufacturing. Primitive agriculture and grazing were

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1. J.W. Thompson, Economic and Social History of the Middle Ages, p.718





the bases of rural society. The one advance in economy that the manorial system made over previous cultures was the three field system whereby the arable land of a manor was divided into three fields one of which, in its turn, was given a rest during each planting season, so that two fields were under cultivation while the third field lay fallow. This is an early instance of conservation of the soil and marked the early beginnings of modern scientific farming. However, agriculture was still primitive and the chief weakness of feudal economy was famine, for commerce was undeveloped, and food could not easily be transported from one place to another. A famine in a given locality usually meant starvation.

Commerce was undeveloped during the Middle Ages because of inadequate transportation facilities. Wagons were not used until the twelfth century. Before that time, all goods were transported on horses and mules. This made it unprofitable to send anything bulky very far. The Roman roads were neglected, and travel was slow and uncomfortable. There were no satisfactory inns for travellers. Robber barons and brigands plundered the merchant, and barons who were not robbers taxed him out of existence. The merchant had to pay every petty lord for the privilege of passing over the latter's land. It was as though a merchant today sending goods from Boston to Chicago had to pay a tax to every town through which his merchandise passed on the way to its destination.





No wonder trade was not worth the risk.<sup>1</sup>

### Rise of Towns and Cities

"The twelfth century is distinguished by a growing stability in both economic and political life, by the appearance of agricultural surpluses, and by the consequent development of trade and travel routes. These factors, in addition to the Crusades and their widening of the area of the Christian world, gave a tremendous spur to the development of towns. Town life with its dependence on trade, its independent artisan workers, and its growing personal freedom, presented essential contrasts to the feudal system with its rural background. Before fifteen hundred, many important commercial institutions had begun to develop such as markets and fairs, merchant companies, relatively stable currencies, bills of exchange and banks."<sup>2</sup>

Serfdom started to disappear in Europe, particularly in France and England in the Twelfth century, but it persisted in Russia until the nineteenth century. In western Europe, abuses of the manorial system by the lords led to peasant revolts which in time brought about the freeing of the serfs.

"In England the Black Death, by greatly decreasing the number of laborers, raised the wages of those who survived because of the resulting scarcity of workers. This led to growing independence on the part of the peasants."<sup>3</sup>

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1. J.W. Thompson, Economic and Social History of the Middle Ages, pp. 565-574

2. The Development of Modern Social, Economic and Political Institutions, p.15

3. J. H. Robinson, E.P. Smith, and J. H. Breasted- Our World today and yesterday, pp. 129-130.



Slowly the few peasants huts clustered around the old castles and monasteries grew into villages and later into towns with social and economic lives of their own. In time these towns came to be of more importance than the castles to which they belonged.

"They naturally grew up where there were the best opportunities for employment and trade-- --. As little towns often needed protection against attack, they were usually surrounded by a high stone wall. The streets were mere alleys over which the jutting stories of the houses almost met."<sup>1</sup>

However, the townsmen, although free, had to pay high taxes to the lord of the adjoining castle on whose land the town was located. They were not much better off than they had been as serfs, but gradually the revival of trade made them more independent. At first the town and adjacent farms were self contained units just as the manors had been, and their markets were purely local, but, in time, trade between towns slowly grew. This trade was threatened with extinction by the same old trade taxes of the lords which had helped destroy trade before. The townspeople would not stand for this oppression and started sporadic revolts against the lords which resulted in the towns being given charters in which the rights of both parties were protected.

Even before the towns were granted charters, groups of artisans in the same trade had begun to form organizations for mutual protection and self regulation called guilds.

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1. J.H. Robinson, E.P. Smith, and J.H. Breasted- Our World today and yesterday, pp. 129-130.

1875  
The first of the season's crops was harvested  
and the weather was very favorable. The  
crops were all well and the weather was  
very good. The crops were all well and the  
weather was very good.

The second of the season's crops was harvested  
and the weather was very favorable. The  
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very good. The crops were all well and the  
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and the weather was very favorable. The  
crops were all well and the weather was  
very good. The crops were all well and the  
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The fourth of the season's crops was harvested  
and the weather was very favorable. The  
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and the weather was very favorable. The  
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The sixth of the season's crops was harvested  
and the weather was very favorable. The  
crops were all well and the weather was  
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The seventh of the season's crops was harvested  
and the weather was very favorable. The  
crops were all well and the weather was  
very good. The crops were all well and the  
weather was very good.



These guilds received the protection of the lord and later of the town government. They were similar to modern trade unions except that they were composed of employers rather than employees, but as these employers themselves actually were laborers, the distinction between the two classes was not great. There was no machine work. All laborers had to be skilled and needed training to obtain that skill. The apprentice system of the guilds supplied that training. A master worker was usually his own best workman although he usually employed a few journeymen and apprentices in his shop. The master held his position not primarily because he had capital to invest, but because he could pass an examination as a good workman, and because he had a good moral record. The guilds tried to be an influence for good on the community. Guild members were supposed to take pride in their products, not to cheat customers and to treat employees fairly.

The high degree of economic specialization that we know now was unknown then. As a rule goods were made and sold to the ultimate consumer in the same shop. No one shop did any great volume of business. It could not, because it was unable to produce in volume. Each guild had its own street where its own shops were located. The only form of advertising used was that of apprentices crying aloud the merits of their masters' goods and trying to tempt passers by to come into their shops. There were many disputes over jurisdiction between guilds just as there are between unions today.





The gild making shoes for adults became offended when the gild of the makers of children's shoes made some that were suspiciously large. The makers of new clothes became angry because the repairers of old clothes encroached on their privileges. This petty bickering eventually helped to weaken the influence of the gilds.<sup>1</sup>

"As the restrictions and sanctions of feudalism gave way, they were in considerable measure replaced by merchant and craft gild regulations. The individual did possess the right to associate himself freely with others of close supervision over all the economic affairs of the individual in the town. Meanwhile rural life was undergoing a change. The availability of town markets and the spread of the money system of the urban economy inevitably broke down the barter economy of the rural area. With the spread of money payments, custom-fixed payments of services and produce gave way to rent payments for the use of land and wage payments for the hire of labor."<sup>2</sup>

With the growth of towns and gilds and markets, trade revived. The overlord of the town and later the town government laid a tax on everything sold, a forerunner of the modern sales tax. But these lords, wiser than the feudal barons of earlier days, did not kill the goose that laid the golden egg. The taxes were reasonable, justice and order were enforced, both merchants and customers were protected, special courts were set up to settle market disputes and roads

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1. W.S. Davis, Life on a Medieval Barony, p.357-378

2. The Development of Modern Social, Economic and Political Institutions. p.16



were repaired. Gradually strategically placed and accessible towns became great markets where goods from all over the world were bartered.

Scientific agriculture was advanced. There were crop surpluses. Land was planted in those crops best suited to it. Small areas no longer attempted to be agriculturally self sufficient. These factors all contributed to the revival of trade. But there was more trade in luxury goods than in the necessities. The Crusades introduced the rude knight of Western Europe to eastern comforts of life. Returning home, he carried with him a desire for spices, drugs, silks, jewelry, etc., which he had never known before. The market for these articles spread in Europe where they could not be produced, but as they were valuable and not bulky, it paid to transport them long distances. In this manner, men grew accustomed to trading with lands at almost opposite ends of the earth as well as with neighboring towns. The power of the independent cities of Italy such as Venice and Genoa was dependent on trade. They, because of their strategic position between the near East and Western Europe, had a monopoly of the carrying trade between those two regions for years. It was dangerous business but profitable.

As the towns grew in importance as industrial centers, they specialized to a greater extent in their industrial products. This specialization led to more trade within western Europe. For a while this exchange was confined to a





large extent to the great markets and fairs, particularly the fairs of Champagne where the Italians and Northern Europeans met to trade. In time enterprising groups of men in cities easily accessible for trade purposes invested in merchants enterprises and built up a trade in the North equal to that of the Italian cities in the South. But instead of fighting amongst each other, they formed the Hanseatic league, a combination for monopoly of trade, and thrived for years in comparative peace.<sup>1</sup>

All this trading required money. There was a great influx of precious metals both from the new world and the Orient, and religious restrictions hampering the free use of money was nullified. Capitalism was born. The merchant princes and the wealthy industrial gildsmen were growing in power. Gild politics were complicated as membership increased. Their control passed into the hands of a few wealthy members who were now primarily employers not artisans. Gilds that specialized in articles for export trade grew more and more dependent on the initiative of the merchant princes who rose in power accordingly. Capital and labor came into conflict. The few were prospering at the expense of the many as the result of controlled monopoly of both industry and commerce. Workers and peasants were both ground down, and

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1.G.C. Sellery, and A.C. Krey,- Medieval Foundations of Western Civilization, pp. 216-240





both revolted at times but without any lasting effects.

The formation of the Hanseatic league was made possible by the rise of towns and cities. Its destruction was due to the same cause, for the League was international in scope. The Hansa cities considered themselves independent, and those of Germany retained a measure of that independence till recent times. The towns and their rising middle class, men who were neither landed aristocrats nor humble peasants, but rather independent artisans and merchants were a powerful factor in the growth of nationalism. It was not the exaggerated nationalism of today which seems to be leading the world to war, but rather a nationalism aimed at obtaining peace. It was felt that if large areas could be united under one king who was able to control the turbulent nobles, that internal peace could be secured and that peace would aid industry and trade. It was hoped that these larger political units would be less likely to go to war with each other, as such wars would be more serious affairs and matters of public discussion. The King would be compelled to consult the middle class before he took definite action, because he depended on that class for financial assistance. Because of this growing nationalism, there was a strong feeling against cities which attempted to keep themselves independent of the government of the countries in which they existed, so the Hansa bonds were slowly broken. I do not mean to imply that any small group of men sat down at a given time and conspired to bring these





things to pass. It was a gradual evolution.<sup>1</sup>

### Mercantilism

"Mercantilisms' two essential features were economic nationalism and the belief that the precious metals were the most desirable form of wealth. A natural corollary was the mistaken assumption that benefit from trade could accrue to only one of the trading parties. The best method by which a nation might procure a large stock of precious metals was to have a favorable balance of trade which could be obtained by the regulation of commerce, industry and shipping and by colonies which should be used by the mother country as markets and as sources of raw materials.<sup>2</sup>"

Mercantilism was a short sighted and selfish attempt to create a controlled economy. It was caused by a surplus of goods.

"Civilized man....was producing more than he had immediate use for. Not more than was needed, for the advantages of civilization were shared out among a small minority, but more than was immediately consumed by those fortunate enough to get hold of it....Trade between nations was not regarded as an exchange of benefits but as a duel, the winner whichever combatant ended up with a surplus of gold. It was the business of government to divert trade from those channels which yielded an unfavorable balance and to guide it toward countries that sent us most money and least goods."<sup>3</sup>

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1. J.W. Thompson, - Economic and Social History of the Later Middle Ages, pp. 146-180
  2. Development of Modern Social, Economic and Political Institutions, p.18
  3. Wingfield Stratford, - History of British Civilization pp.646-650





This was a monopoly for the upper middle class to whose advantage the system worked. It was a miserly system that bred international hatred and war. It was too rigid and too selfish to last. Joint stock companies, the ancestors of the modern corporation, were a means of speculation that aroused greed in men and made for unsound nationalizing in economic theory. It resulted in the enslavement of aborigines in many colonies throughout the world and in struggles and ill will between mother countries and colonies which wanted more economic freedom. Our own American Revolution is a good example. A spirit of selfish exploitation even of human beings pervaded the whole system. Today there are still traces of mercantilism left throughout the world evidenced by tariffs, laws against taking gold out of various countries and a selfish nationalism attempting to be economically self sufficient. This is making for war today as surely as it has done before, but it is doubtful whether anything can be done in a short space of time to change the situation. Certainly one country such as the United States is trying to shoulder an awful load if it tries to do the job single handed.

### The Industrial Revolution

Besides mercantilism there was another economic development that was to influence the future, the Industrial Revolution. It had its greatest development in England from which country it later spread to the United States. The



chief characteristics of the Industrial Revolution were the substitution of artificial power, chiefly steam, for human or animal power and the factory system. It was not a sudden change. Capitalism had been in existence for years.

"Great Britain by the eighteenth century possessed the commercial and financial organization necessary to produce and market the products of the new factory system. Great Britain had the coal and iron resources essential to the utilization of the factory machine and steam power. Encouraged by a scarcity of labor and an increased demand for goods particularly textiles, England turned to the machine to effect the required production."<sup>1</sup>

Agriculture was also changing in England. The small farm was disappearing. Its place was taken by the more efficient large estates of the new aristocracy, by grazing lands, or by a new wilderness for hunting purposes. This resulted in the unemployment of many farmers who flocked to the cities and became factory workers. At this time, between 1750 and 1800, many mechanical inventions were discovered. Hargreave's spinning jenny, Arkwright's water frame and Crompton's mule all aided progress in the textile industry in which England was already a leader. New methods for smelting iron and Watt's steam engine were discovered about the same time.<sup>2</sup>

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1. Development of Social, Economic and Political Institutions,  
p.34

2. Ramsay Muir British History, pp. 456-460



and upon the whole, the result is a very satisfactory one. The  
general impression is that the work has been done in a very  
satisfactory manner, and the results are very good. It is  
very much to be regretted that the work has not been done in a  
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much to be regretted that the work has not been done in a more  
systematic manner.

Formerly manufacturing was conducted by the cottage system. Workers took their work home and the whole family helped with it. Now the work was done at a central factory with the aid of strange machinery. At first the workers, thinking that the machines would displace them, rioted in protest, but eventually they found that machinery lowered prices, widened markets, and created more jobs. But other grievances against the machine continued. The conditions of work in the factory were miserable. The laborer no longer had his own little cottage and truck garden. Now he owned nothing but the clothes on his back. Houses were crudely thrown together in crowded slums to meet the demand for room. Rents were high. Sanitation was almost non-existent. Wages were low. Hours were long. Women and children worked from before sunrise till after dark. There were few laws regulating working conditions. Employers as a rule felt no social responsibility to their employees. The same upper middle class which had advocated mercantilism and a controlled economy for its own advantage, now advocated that the government keep its hands off business, so that the laborer might be more easily exploited. Class consciousness was intensified. The interests of the workers and their employers grew increasingly at odds. The social reforms that probably would have come about as a reaction to these conditions were delayed by the Napoleonic Wars. All the national strength was mobilized for over twenty years to





fight the French. There was no time for internal class struggle.<sup>1</sup> The usual economic disruption that comes with war made conditions even worse, but eventually political reforms, social agitation, and literary protest such as that of Elisabeth Barrett Browning in her Cry of the Children, paved the way for economic reform in the latter part of the nineteenth century.<sup>2</sup>

### Summary

In reviewing the development of European economic life, two points stand out. The first is that the smaller the area of a unit which attempts to be self sufficient is, the lower the standard of living for that unit will be. The second is that there has always been government regulation of economic life to some degree, and that regulation has usually been to the advantage of a certain class.

The feudal system was characterized by absolute paternalism. The lord was both employer and the agency of government. All laws favored him. The serf bartered his liberty for safety. He also bartered his chance of economic prosperity for economic security. Under feudalism each little barony was self sufficient, and that resulted as a

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1. Frank Roberts Lectures, Boston University

2. Ramsay Muir British History pp. 456-460



**fule** in each barony being poverty stricken. Feudalism was a failure in that it did not provide the economic security for which the serf had given his liberty and chance of prosperity. War and famine made life dangerous.

The guilds were democratic at first. They were a form of government license and self regulation of industry something like the recently deceased N.R.A. The interests of employer and employee were so nearly similar that the guilds, as a whole, worked for the benefit of the mass of the townspeople although individual guilds were monopolistic and essentially selfish in nature. In its later history the guild became a tool of a few rich men who used it to control the rank and file of the workers.

The great trading cities of Italy and the Hanseatic League were another example of government license for self regulation, but without the self imposed moral restrictions of the early guilds. Trade was the monopoly of a few great merchant companies. There was prosperity due to free trade, but most of the benefits went to the wealthy monopolists who controlled the governments of their city states. A little did seep down to the masses.

Mercantilism was a gigantic scheme for government aid to monopolies. It worked to the benefit of the upper middle class. The laborer received little advantage. Industrialism advocated government withdrawal from regulation of economic life.







But a self regulating industry was only half the picture. Industrialism and Mercantilism went hand in hand and Mercantilism helped the industrialist market his goods. Almost every act of the British Parliament for centuries was in the interest of trade and that was for the benefit of the industrialist. Just as long as the government kept its hands off of industry so long did industry fail to regulate itself. Instead it abused a monopoly-- a monopoly of the power to give employment, for the breaking up of small farms drove the farmer into the hands of the factory employer. He had to take work under any conditions and the employer took advantage. The latter considered labor merely as a commodity and did not give the laborer the care he would give to a horse or a slave, for he had not any capital invested in the laborers as he would have had in slaves or horses, and new laborers were coming in from the farms and being bred in the slums every day.

This then is clear. There has always been economic monopoly of some sort. This monopoly has always been aided, at least passively, by the government and has usually been in the interest of the few.

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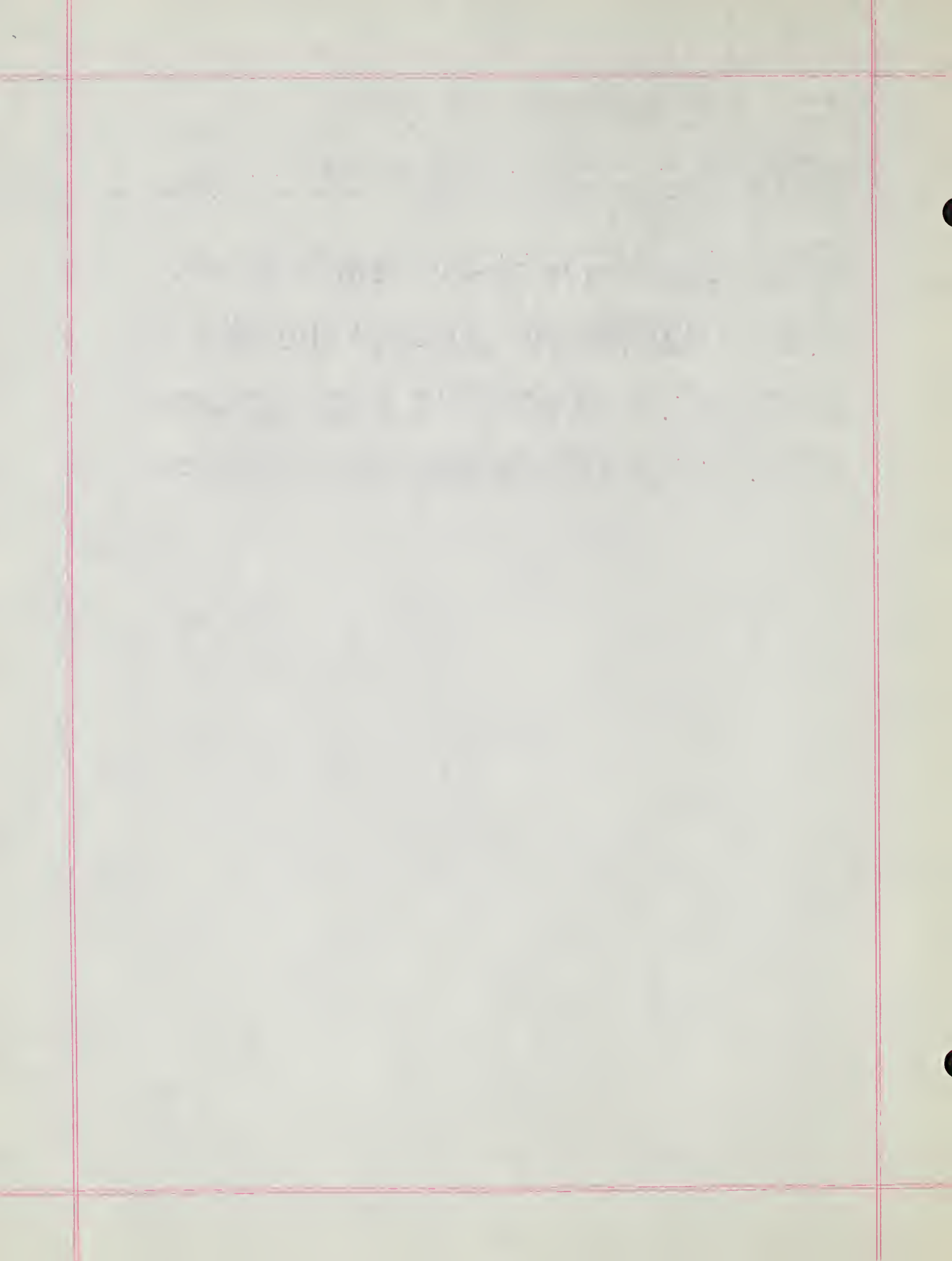
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### CHAPTER III

#### THE WORLD OF WORK IN AMERICA

##### Early Agricultural Economy

We have taken our institutions chiefly from England, but we have changed them to fit our own needs. To some extent our economic development has paralleled that of England. We have changed from a predominantly agricultural to a predominantly industrial country, but we still produce more food than we use. The farmer is still an important element in our economic life.

From the Indian, the colonists learned the cultivation of many valuable plants such as tobacco, maize and the potato, but from the Indian he also learned the wasteful habit of extensive farming--that is, farming land out, giving it no care, and finally leaving it barren to seek new cheap land on which to repeat the same process.<sup>1</sup> Agriculture was the chief industry of the colonists because they needed food more than anything else.

"There were serious obstacles in the way of manufacturers such as the more urgent need for food and primary necessities, the scarcity of labor and of capital, the absence of an adequate market, the competition of the

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1. E. L. Bogart--Economic History of the American People  
pp.41-48



Industrially more advanced European countries and finally the opposition of the English Government."<sup>1</sup>

England in pursuit of Mercantilism did not want colonial manufactures to compete with home industries and forbade colonial trade with other countries such as Holland from whom goods could be purchased more cheaply. Colonists were allowed to manufacture providing they did not sell their products outside of the colony in which they were made. This resulted in much home industry and handcraft making goods for personal use. Certain industries which did not compete with England were encouraged such as, ship building, lumbering, smelting, naval stores, fishing and brick making and to these the colonists turned. The population increased rapidly.

Subsistence was cheap, there was plenty of land for all comers, and a large family was an asset rather than a burden because even children could help with the work. The abundance of free land and the large return to cultivators tempted most men to become independent farmers on a small scale rather than to remain hired laborers."<sup>2</sup>

However, by the outbreak of the Revolution there were in the cities some small industries which

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1. E. L. Bogart--Economic History of the American People  
p.86

2. *ibid.* p.93





produced goods for retail sale to the general public without waiting for specific orders from customers. This tendency was a distant forerunner of mass production, and it is interesting to note that when such a stage of industrial development had been reached, the colonial legislatures particularly that of New England regulated closely the quality, quantity and price of the articles in the interest of the consumer. Government regulation was held to be a necessary aid to competition in order to keep business honest.<sup>1</sup>

However, for the most part the farmer himself produced the articles he needed. Textiles were spun and woven by hand. The cloth was cut and sewn into appropriate clothing in the home. Lumber from the forest provided the raw material for the building of a home, the making of furniture, and shaping of tools and dishes.

"The head of the family slaughtered his own cattle and hogs, and pickled his pork. Beef, hams, fish and eels were cured in the smoke-house. Grain was made into meal at home....Besides the meat, the slaughtered live stock provided fats and hides. The former along with the wax of bayberries was made into candles....The skins of domestic and wild animals were cleaned of their hair by a solution of lye ashes burned from the farmers own trees, tarred in a brew made from the bark of the farmers own hemlocks or oaks and then greased into pliability with the farmer's own hands.

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1. E.L. Bogart--Economic History of the American People  
p.109



The family then made this leather into clothing or rough shoes and mocassins. The only instrument needed was an awl to punch the holes through which the leather thread or thongs were carried."<sup>1</sup>

This self sufficiency varied in degree between different sections of the country and various periods. The frontier, wherever it happened to be, was always more primitive and thrown on its own resources. But gradually specialists in various activities which required skill arose. The population, except in cities, was not large enough to support them, so they became travelling artisans taking all their tools with them and setting up shop at whatever farmhouse they happened to be visiting. There were chandlers, cobblers, tailors, butchers and weavers. Only a few years ago there were a few relics of this type left, travelling tinkers, but their activities were largely confined to sharpening knives. Home industries are still in existence in some parts of the country today. In fact in one field, that of jam and jelly making, the thrifty housewife knows that she can produce a better article than the factory.

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1. E.C. Kirkland--A History of American Economic Life  
pp.84-86





### Beginnings of Industry

After the Revolution, with British restrictions removed, American industry grew--but slowly. It was not until the Embargo Act of 1808 that we really had to start manufacturing to live, for trade was almost extinct at that time. The impetus of the Embargo was succeeded by increased government purchasing of war materials from home manufacturers, and we still weren't trading to any great extent with Europe, so native manufacturers had almost a monopoly of native markets till the end of the war. Then Britain began dumping goods of superior quality and lower price than our less efficient industries could produce, so in retaliation we established a protective tariff to help our infant industries survive unfair British competition. Some of our infants haven't grown up in over a hundred years.

Between 1808 and the Civil War industrialization proceeded rapidly. The factory made great strides in supplanting the work of home and shop.

"By the factory system is meant the concentration of all processes of manufacture in a factory involving their withdrawal from the household and shop; it involves also the use of specialized machines driven by non-human power and the organization of the workers under skilled management for stipulated wages

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and fixed hours with production for the general market and not upon order."<sup>1</sup>

We centralized our factories even more than the English by combining the processes of spinning, weaving, dyeing, and printing in one factory. We improved on English machinery such as the power loom.<sup>2</sup>

By the thirties the Industrial Revolution was well started. There was a demand for cheap labor and in a few years this need was supplied by immigrants who settled chiefly in the industrial sections of the Northeast. They come from Germany to escape punishment for an abortive revolution and they came from Ireland to escape a famine. Transportation facilities in the form of steamboat and railroads soon connected the industrial East and the agricultural West making trade between the two profitable. Financial power gravitated to the hands of a few banking houses who financed enterprises in almost all sections of the country. The Civil War increased the concentration of our industrial system and stimulated invention. The South lost the war chiefly because it had to depend on the old fashioned method of production by

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1. E.L. Bogart--Economic History of the American People  
p.382

2. *ibid.* chap. 16

January 18th 1880  
Dear Mother

I have just received your letter of the 15th and  
am glad to hear from you. I am well and hope  
these few lines will find you the same.

I am writing you a few lines to let you know  
that I am still in the city and hope to be home  
in a few days.

I have just received your letter of the 15th and  
am glad to hear from you. I am well and hope  
these few lines will find you the same.

I am writing you a few lines to let you know  
that I am still in the city and hope to be home  
in a few days.

I have just received your letter of the 15th and  
am glad to hear from you. I am well and hope  
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I have just received your letter of the 15th and  
am glad to hear from you. I am well and hope  
these few lines will find you the same.

I am writing you a few lines to let you know  
that I am still in the city and hope to be home  
in a few days.



means of home industries. Only a few cities like Atlanta had any factories, for the South had pinned its faith on cotton and the slave labor suit able for cotton culture was not suitable for more careful factory work. Immigrants would not come south because of competition from slaves and later of cheap negro labor. This condition continued for many years after the Civil War. It is only recently that the South has become industrialized. The fact that the South did not produce manufactured goods concentrated and increased the industrialization of the North.

As early as Washington's administration, laboring men started to band together in unions to protect their rights. By the thirties they were already well established and attempted to form an organization of all unions something like our present day American Federation of Labor or Committee for Industrial Organization. This attempt was premature and failed but unionism did not. The concentration of large laboring populations in crowded city areas with poor sanitary regulation made for slums. Lack of government supervision of business and industry left labor defenseless and at the mercy of profit seeking employers who felt little social responsibility to their workers. Labor was regarded as a commodity. The dominant aim of every man was to get ahead in material wealth. He



did not consider himself his brother's keeper. Industrial abuses were therefore inevitable and so too was the rise of unionism.

During the period immediately preceding the Civil War, Congress hesitated to make settlement in the West too easy because each new territory meant a fight as to whether it would be free or slave, but once the war began, the Homestead Act allowed government land to be purchased to settlers at a nominal sum. The idea was to build up and settle the territories so that more wealth would be produced by the nation. Our territory still seemed abundant and limitless. No attempt was made to conserve our natural resources or to preserve mineral wealth for the nation. It was a free grab for all.<sup>1</sup>

The industrialists opposed the too free distribution of land in the West because it drew the laboring population away from the cities and the factories, but new waves of immigration provided a plentiful supply of labor. These immigrants were numerous, urban and clannish. They clustered together in national communities in the big

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1. Charles and Mary Beard--Rise of American Civilization  
Chap. 14





cities. Ignorant of the language and customs of their new country and being used to a low standard of living, they were easily regimented in the hands of unscrupulous employers into the ranks of the wage-slaves. Labor was a commodity and competition kept the price down. As a result of low wages they could not afford proper living quarters and vast slums arose as a result.

We had natural resources, transportation facilities, a more than adequate labor supply, capital, and an improved technology, everything necessary to industrial growth, but this was not all. The industrialist despite all these natural advantages, was still further protected by a high tariff. During the Civil War, the tariff which had originally been a revenue measure and then a means of protecting "infant industries" after the War of 1812, was again made higher in order that the government might raise funds to wage war. Once this tariff had been established and the countries' economy became used to it, serious dislocation would have been caused by lowering it to pre war level. The powerful industrialists exerted enough pressure so that the revision downward was never made. Since then, tariffs have gone up and down but the trend has been steadily upward.<sup>1</sup>

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1. L. M. Hacker and B. B. Kendrick--United States since 1865  
Chap. 5



### Big Business

During the period of industrial expansion, barons of industry appeared. Most of them were self made men who had fought their ways to the top and become hard and ruthless in the process. The profit motive was the only one that interested them. They had little social responsibility. They felt that by developing their businesses they were doing their share as patriots by contributing to the total wealth of the nation. They were not really democratic in economic ideals. For the most part they paid labor as little as possible and believed it dangerous to shorten hours because the laboring classes would have too much time to get into trouble. In politics these men of money did not scruple to corrupt and buy city, state and even the national government in order to make these supposedly servants of the people respond to the wishes of the moneyed few. Lincoln Steffens in his "Autobiography" gives many illustrations of corruption, particularly in cities, by business men.

The railroads were the tools of big business. The following quotation shows the power that lay in the hands of the comparatively few men who controlled the railroads:





"The power to fix freight rates was the power of life and death over industries and often over whole communities. The individuals possessing that power were unrestrained, for there was no Interstate Commerce Commission or other regulation until 1887 and no effect regulation until 1906, and they used it ruthlessly."

"It was not merely that they destroyed individual business and bankrupted individual business men by their arbitrary exercise of uncurbed power, bodies of workmen were forced out of employment, families dislocated, whole communities laid prostrate and disrupted. The average man came to think of the power of the railroads as a malevolent influence manipulated secretly by persons distant and mysterious. He came to think of the railroads as having a more essential power over his happiness than the government and to feel that the equality guaranteed to him by the Constitution was a small thing if he had not equality before the railroads."<sup>1</sup>

These were the same railroads that had been heavily subsidized by grants of public lands because they would be a benefit to the country. They did, indeed, aid in the development of the country and helped bring prosperity to many, but opportunity for abuse was there. No vital philosophy of social responsibility existed, so the strong men bent these public servants to their private profit. Eventual regulation was inevitable, a natural result of a natural cause.

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1. Mark Sullivan--Our Times, vol. 2, p.268



One of the men who corrupted the railroads was John D Rockefeller, who not only obtained rebates from the freight rates on goods he shipped but also received drawbacks which were percentages of the freight rates paid by his competitors on goods they shipped. Fortified by these financial bulwarks he was able to undersell his competitors and force them either into bankruptcy or to combine with him. Those who joined forces with him and exchanged their business for shares in his company, prospered, those who were stubborn and fought him or who sold out for cash and did not participate in his later accumulation of wealth, hated him. Rockefeller saw nothing wrong in his actions as he gave every competitor a chance to work with him, but public opinion was aroused against his power and ruthlessness.<sup>1</sup>

In order to effect the absorption of competitors who wanted to join him on a permanent and stable basis, Rockefeller used a business device which became popular after the Civil War. The corporation had the peculiar advantage of being considered as a legal person capable of carrying on its business through its officers. By the sale of shares it provided a means of diversified

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1. Mark Sullivan--Our Times vol. 3 chap. 7





ownership of a huge business but the owners were protected in that they were not individually liable for the debts of a corporation as they were of a partnership. This was the beginning of a split between management and ownership in business. It provided opportunity for corruption on the part of business managers who were often hired employees or minority stockholders.

Rockefeller had performed a service to the country in one respect although that service was not recognized because of public indignation against him. He did unite and stabilize an important industry which had been contesting within itself in suicidal price cutting resulting in serious economic dislocations to the country. The men in control of the industry were such strong individualists that they would not co-operate even to save their own business. They had to be whipped into line and Rockefeller did it.

#### Government Regulation

Having been shown the way, other industries without the compelling necessity which had existed in oil, also began to form monopolistic trusts. There were the American Sugar Trust, Carnegie's Steel Co., the Beef Trust, and many more. Soon there were attempts to form trusts in most of the nations industries. The public indignation at Rockefeller turned to panic. Monopolies if successful



might raise prices as they please and gouge the public. Regulation of monopolies became a public necessity, trust busting became a crusade.<sup>1</sup>

About this time another crusade was going on, that for pure food. Upton Sinclair, a socialist, had written a book, "The Jungle", in order to portray the unhappy plight of an immigrant workman in the Chicago stockyards. The effect of his book was to call the attention of the American public not to the conditions of the workers but to the unsanitary way in which food was prepared for public consumption. Investigation of the meat packing plants soon spread to other food industries. It was found that most foods which were sold commercially had been adulterated. It was found that during the average day anyone who ate foods that had been bought on a commercial basis took into his system forty different doses of foreign chemicals which should not have been naturally present in these foods. Milk could be adulterated in six ways; coffee, in twenty one; butter, in nine ways. This condition had come about because of the change in business methods. Food preparation was now an impersonal business conducted on

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1. J. T. Adams--Epic of America Chap. 12





a large scale by corporations who sold to middlemen who in turn were not responsible for the adulteration. The consumer could not tell pure food from that which was adulterated and bought that which was cheapest. Therefore, honest producers were undersold and either forced out of business or themselves compelled to adulterate in order to meet competition. There were no Federal laws to regulate food preparation, but there was crying need for such laws and they were eventually made to protect the public, for competition alone evidently was not sufficient to protect the consumer.

The insurance business is another example of misuse of liberty by private management. Insurance companies were originally considered private corporations with control entirely in the hands of the stockholders who thereby had control of hundred of millions of dollars of policyholders money; this financial tool was not overlooked by the big financiers of Wall Street who by quarrelling amongst themselves as to who should control the funds of the huge "Equitable Life Assurance Society", called the attention of the public to the fact that something was decidedly putrid in the life insurance business. Any investigation was conducted and Charles Evans Hughes was put in charge of it. His excellent work made him nationally famous. It was discovered that officers



were drawing high salaries, nepotism was practiced extensively and many men were on the payroll who gave little if any services in return. Money spent for private entertainment was incorrectly charged to company expenses, but worst of all the huge invested funds of the company were so manipulated that those on the inside made a private profit even though they did not actually misappropriate funds to their own use. This was possible because of interlocking directorates and the fact that insurance companies could invest their funds in bank stocks and speculative securities. In order to prevent such mishandling of funds which insurance companies held in trust for policyholders, regulations were passed restricting the type of securities insurance companies could buy, close supervision of officers was provided for, and in many cases the policyholders were given a share or sometimes complete control of the choosing of company directors.<sup>1</sup>

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1. Mark Sullivan--Our Times vol. 3, chap. 3.





The same corruption that existed in the insurance companies was more or less rampant in other corporations, but because in the latter, the stockholders in theory controlled the directors who ran them, nothing was done to check the abuses. Security investment became a major business highly specialized. People bought shares of stock for investment or for speculation but as a rule had little interest in management. Ownership and management sometimes had conflicting interests and management for the most part had its own way. The floating of new shares of stock became a big business. Bankers who engaged in it took huge blocks of shares as their commissions, therefore, the companies had to pay dividends on these shares which did not represent invested capital. Such "watered" stock was carried by the other shareholders--that is dividends were spread over more stock than the capital invested justified. In order to pay such unnatural demands for dividends, the management of a large corporation containing watered stock often resorted to "sweating" it out of labor by longer hours, speed up systems or low wages. As long as abnormal prosperity continued, dividends could be paid out of surplus profits, but such companies were in poor condition to meet adverse economic conditions.<sup>1,2</sup>

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1. B.J. Hendrick--The Age of Big Business

2. Ida Tarbell--Nationalization of Business chap.5



The twentieth century saw larger and larger concentration of capital accompanied by large corporations and larger units of industrial production. Whole cities grew up around a single industry. Mass production and the belt system held sway. Profits were figured by the fraction of a cent per unit. Management believed that the answer to the greatest ultimate profits lay in the sale of many units at the cheapest possible price so as to put the ability to buy and enjoy goods in the hands of the masses. This theory and practice made the United States the richest country in the world, but it required close figuring and mass sales. If prices had to be reduced a fraction of a cent per unit it meant loss rather than profit to the producer. If buying power stopped and sales were lowered it meant that cost of production per unit was raised, valuable machinery representing capital investment lay idle and employees were thrown out of work. In such an industrial situation, cities which were dependent on the prosperity of one or two industries for their existence naturally suffered.<sup>1</sup>

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1. H. U. Faulkner--Quest for Social Justice chap. 2





The belt system exemplified by the Ford Company, is most efficient on the basis of cold figures, but it is wasteful of human happiness. A man who performs one single task over and over again at a high speed throughout the working day is necessarily under high tension. He can obtain no satisfaction from his pride of the finished product. Physiological as well as psychological tension also results from the fact that one motion repeated constantly is bad for the posture, produces undue fatigue, does not provide the proper relaxation which is secured by going through different motions necessary for different operations, and the fact that all other muscles except those in use are too rigid producing additional fatigue. Work under such conditions wears men out prematurely. Even without the scientific knowledge to back them up, most laborers can understand this and they become restless and dissatisfied. High wages alone don't atone for human wreckage.<sup>1</sup>

### Prosperity

The World War produced a dislocation in our economic system which has never been entirely repaired. Because the nations at war could not raise their usual

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1. Mark Sullivan--Our Times vol. 1, chap. 18

The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters  $\alpha$  and  $\beta$ . It is shown that the system has a solution for arbitrary values of the parameters  $\alpha$  and  $\beta$  if and only if the conditions (2) are satisfied. The second part of the paper is devoted to a detailed study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha$  and  $\beta$ . It is shown that the solution of the system (1) for arbitrary values of the parameters  $\alpha$  and  $\beta$  is unique and depends continuously on the parameters  $\alpha$  and  $\beta$ . The third part of the paper is devoted to a study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha$  and  $\beta$ . It is shown that the solution of the system (1) for arbitrary values of the parameters  $\alpha$  and  $\beta$  is unique and depends continuously on the parameters  $\alpha$  and  $\beta$ .

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crops of foodstuff, they looked to the United States for their supply. The prices of agricultural products soared, more land was put under cultivation, and food was successfully shipped to the Allies. In this way it became both patriotic and profitable to be a successful farmer. But there were two unfortunate results. First--the amount of food produced in war time was enough to feed both the United States and most of Europe. When Europe no longer needed so much from us, we had a continual surplus. The market was glutted and the farmer could not get a high enough price to make a profit. Secondly--the soil of much of the land put under cultivation under the stress of war demands was not fit for cultivation. When prices went back to normal it could not produce enough to make it profitable for use. Farmers who did use it suffered losses. Those who abandoned it lost their capital investment. Worse, still this sandy, loose soiled land, once it had been plowed up and the grass roots destroyed, turned into a vast dust belt a source of dust storms menacing a large section of the country.<sup>1</sup>

In industry and finance the initial depression

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1. Mark Sullivan--Our Times vol. 6 chap. 1





caused by readjustment was succeeded by a period of temporary prosperity caused largely by the mass production industries particularly in the field of automobiles and gasoline. Mass production did create wealth and did so at a low enough cost so that the average man could buy. The result was that more employment was created, those employed created new markets and money changed hands often. Employers to some extent realized that high wages were necessary for the good health of industry. Both capital and labor asked for and obtained stricter immigration laws and higher tariffs in order to protect American labor. However, since the war we had become a creditor instead of a debtor nation. Europe owed us money, more money than she could possibly pay in gold. The only way she could pay was in goods, but our high tariff prevented her paying in goods. Eventually she realized that she could not pay and she stopped even making the attempt. The result is that we have owed to us billions of dollars that will never be paid to us. That money was originally borrowed by our government to loan to our Allies and is still owed by our government to its bondholders. Therefore, it seems that both capital and labor asked and received a special privilege in regard to our tariff regulation, a privilege that cost our government billions.<sup>1</sup>

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1. Charles and Mary Beard--Rise of American Civilization  
chap. 29 and 30



Prosperity in industry was accompanied by inflation in finance. As new inventions and processes were discovered, enterprising men organized companies to use them in practical production. These men had to enlist the aid of bankers in forming their operating companies. These bankers made tremendous profits out of the transactions, profits which had to be paid by the corporation being financed, usually in the form of watered stock, stock on the corporate books which was not matched by a corresponding investment in cold cash in the corporate deposit box. While business was booming, the corporations made such huge profits that they could comfortably pay dividends on all outstanding shares of stock, but with a real "return to normalcy" that watered stock was bound to be a rope around the neck of business.

Confidence in our future prosperity was unlimited. New enterprises made money, old concerns expanded, people borrowed money to invest knowing that their profits would more than pay the interest on the borrowed capital. Ownership of corporation stock changed from a process of investment of surplus capital to an orgy of gambling. People bought stock not because they thought that the corporation involved was operating on a sound financial basis, but because they thought that the price of the shares would go up. They often did not even know what type of business the company whose shares they purchased was engaged in. Prices of shares fluctuated many points in a day. Much publicity





was given to people who gained unearned wealth suddenly through stock market speculation. Many formerly conservative people were struck by the get rich quick fever. At the same time groups of wealthy stock market operators would "pool" their resources to cause various stocks to go up or down so that they might profit by buying or selling. Their position as both speculators for themselves and agents for small investors gave them a position where it was easy to influence the trend of a "jumpy" market by means of rumors and "tips". It was possible to "sell short" that is sell stock without owning it thinking that it might go down and be bought in later at a lower price. This was a process of out and out speculation.<sup>1</sup>

The same public confidence which made for excessive speculation also made possible a widespread increase in instalment buying. Companies which had expanded their plants in order to increase production, reduce operating costs, lower prices and thereby increase the number of people who could afford their product, found that the immediate capacity of the public to buy was limited. That limitation meant a decrease in sales and an increase in operating costs. In order to increase sales, instalment

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1. J. T. Adams--March of Democracy vol. 5 chap. 1



buying was encouraged. Instalment buying is really mortgaging of future earning power. Under some conditions, it is probably an economically sound practice, but if carried to excess it is dangerous.

Since the turn of the century, high pressure advertising was resorted to by business concerns trying to create a desire to buy on the part of the public. Extravagant statements regarding the qualities of particular brand products were made. Every instrument of business psychology was utilized in newspapers and periodicals, on billboards and over the comparatively young medium of advertising, the radio. People were led to believe that various articles formerly considered luxuries were now necessities particularly automobiles and radios. The man who might normally be conservative felt social pressure to buy more than he could afford usually on the instalment plan. Furniture and even clothing were purchased "on time" payments. A weekly pay check was often used up before it was received. However, this situation might go on without too serious consequences providing the family income was not decreased. Wage earners, who had formerly lived constantly in fear of losing their jobs and therefore were conservative spenders, now felt the spirit of optimism and believed that their jobs were sure enough to warrant their buying on the instalment plan.<sup>1</sup>

Prosperity, then depended on high pressure advertising, over expansion of industry, instalment buying and speculation.





All these were based on confidence in our future prosperity. The barometer of that public confidence was the stock market.

### Depression

Exactly what incident started the depression in the fall of 1929, I do not know, but that depression began with a lack of confidence in the stock market at New York. In the beginning it was merely a depression in the market, but the lack of confidence in corporate securities was soon reflected by a lack of confidence in our whole economic set up.

When prices of stocks started to go down, some stock market investors, knowing that their holdings were quoted at values far above their worth in earning power, sold out. This made prices go lower. Then gamblers sold shares "short" hoping to buy them in later at lower prices. They did. As prices went very low, people who had bought on margin found that they had no equity in their stock. They were sold out. This further lowered prices. Some brokers, who played the market themselves besides acting as agent for others, went bankrupt. This also reduced confidence.

Many banks had unwisely invested in unsound securities. They failed, helping to create a panic. People who had been



spending "paper" stock market profits stopped. The papers were so full of the depression in the stock market and its repercussions that the general public became worried. People stopped buying. Business fell off. Companies organized on a mass production system started to lose money. Men were laid off which reduced buying power. This led to a further reduction in sales and more men were laid off. A vicious circle was created. Businessmen stopped buying in advance thinking that prices would drop. They did. People who had been led to make many purchases by high pressure advertising and salesmanship now found that they could do without many articles which they had formerly considered necessities. They just would not buy. People who had bought too much on the instalment plan could not meet their payments. People who had money were afraid to either spend it or invest it. Money stopped circulating.<sup>1</sup>

Credit tightened up. Business houses which had over-expanded or which had carried on in spite of inefficient management because of general prosperity, now began to fail. Credit managers reduced credit of sound customers because of general panic. As firms failed, they pulled other firms down with them. Banks which had advanced liberal credit, before now, called in loans. They refused to discount notes

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1. J. T. Adams--March of Democracy vol. 5 chap. 1





in many cases. The business man found it difficult to operate. Usually he reduced wages and laid off help. Employees were so scared they would work at any price.

During this time, the people started to look toward the federal government for aid. President Hoover had been elected as the successor of Coolidge on the theory that he would continue the Coolidge Era of Prosperity. Therefore, Hoover was unjustly blamed for the depression as though he had guaranteed prosperity for four years as the price of his election. Hoover was an engineer rather than a business man or financier. He found himself in an unfamiliar situation. He attempted to alleviate the situation in a conservative way which did not meet the crisis at hand. He did start the Reconstruction Finance Corporation to help business but that alone was not enough. Moreover, Hoover did not have the personality to inspire confidence. His continued reassurance that prosperity was just around the corner soon came to be regarded as a national joke.

### New Deal

The people grew desperate. They looked for a Messiah and Roosevelt came. He seemed like the answer to a prayer. He exuded confidence and that confidence was contagious. He was a man of action, and action was what the people wanted. Hugh Johnson said that Roosevelt when he came into office knew little of financial, industrial or agricultural problems



on a national scale, but Roosevelt soon learned and he surrounded himself with economic experts. However, these experts have in the main been men whose experience has been with theories rather than facts and have at times let their imaginations run away with them.<sup>1</sup>

All of Roosevelt's economic problems are included in the one basic problem of overproduction in relationship to the ability of the public to buy. The people just did not have the money to buy all the things that our productive machinery, over expanded because of abnormal war demand and technical improvements, could produce.

There were two methods of attacking the problem, first to increase buying power, second to cut down production. Roosevelt tried both. He tried to increase buying power by means of relief projects such as the W.P.A. and P.W.A., by putting pressure on business men and industrialists to raise wages through the N.R.A., and by increasing the circulation of money and credit through devaluating the dollar, S.E.C., and his banking acts. He tried to limit production by means of the A.A.A. As temporary relief measures for an economically sick country these measures were undoubtedly necessary. There is nothing against the American tradition in them. They merely carry a step farther the supervision

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1. H. Johnson--Profile of a President- Ladies Home Journal





of business started before the Revolution and pursued vigorously by Theodore Roosevelt, but a permanent policy of restriction of production is economic short sightedness because while we may produce more than the public can buy we certainly do not produce more than the public can consume. Many of our people are still underprivileged and receive too little of the world's goods. Our problem is not to cut production, but to produce at capacity and see that the goods are more equitably distributed.

### Summary

America, like Europe, has undergone an Industrial Revolution. Yet a large proportion of our population is still composed of farmers, so we have the problems of both an industrial and an agricultural society. The mechanism of our economic life has altered. Our economic philosophy must alter with it to prevent human misery.

In our early history every man could be his own employer by simply clearing a farm from the wilderness. On that farm he raised and made almost everything he needed for subsistence. Society had no youth problem or old age problem as both children and the aged could earn their maintenance on the farm by performing useful chores. Now free land is gone and work is specialized. Even the farmer cannot create all he needs and most men are not farmers but city dwellers working for someone else, owning next to nothing and living in constant fear of insecurity.



Our government has materially aided the economic development of the country by tariffs, subsidies and the giving away of land to those who had the initiative to develop it. From time to time, however, the government has found it necessary to regulate various economic enterprises which have taken on an anti-social nature, not because they are inherently anti-social, but because of the intensely individualistic policies of their managements.

The labor movement is not Un-American. It started in this country before eighteen hundred and was well organized before eighteen forty. It is a distinctly native movement which has been joined by many immigrant workers of foreign birth.

The extreme capitalism of the nineteenth century was well adapted to the conditions of that century. We had vast natural resources to be developed and individual initiative did the job and did it well. It created great wealth. It made the standard of living of this country the highest in the world, but it was predicated on unlimited resources, and when those resources were reduced to a definitely limited quantity, the shortcomings of the system became apparent.

As technology improved and our economy became more and more complex we have become more and more independent, but our morality has not kept pace. Our economic system recently broke down. The President was confronted with the double





problem of preventing immediate collapse and, at the same time, initiating long term reforms to prevent repetition of the breakdown in the future. In the process of experimentation much was done that was not wise because of lack of time to consider all possible effects. Lack of trained personnel has been a severe handicap to the President's program. That program has been merely an increase in government regulation of business where that regulation seemed necessary. It is not Un-American but rather quite consistent with the trend of our economic history. However, in instituting long term reforms it is well to make haste slowly. Government regulation of business is not necessarily bad per se, but neither is it always good. We must judge by the results. The government must use the scientific method of basing its actions on the results of experimentation rather than on glib theories. Too much unsuccessful and inconsistent experimentation can ruin us as quickly as uncontrolled laissez faire. The wealth of the nation depends on the good health of business. Government spending like a powerful stimulant may be necessary intervals. It is a temporary measure which is not valuable because of its permanent good but rather because it prevents immediate collapse. Like a stimulant, government spending cannot be over indulged in without sapping the vital forces. The real job of government regulation is to help



business keep healthy and at the same time to afford the greatest possible measure of protection to the stockholder, the laborer and the consumer.

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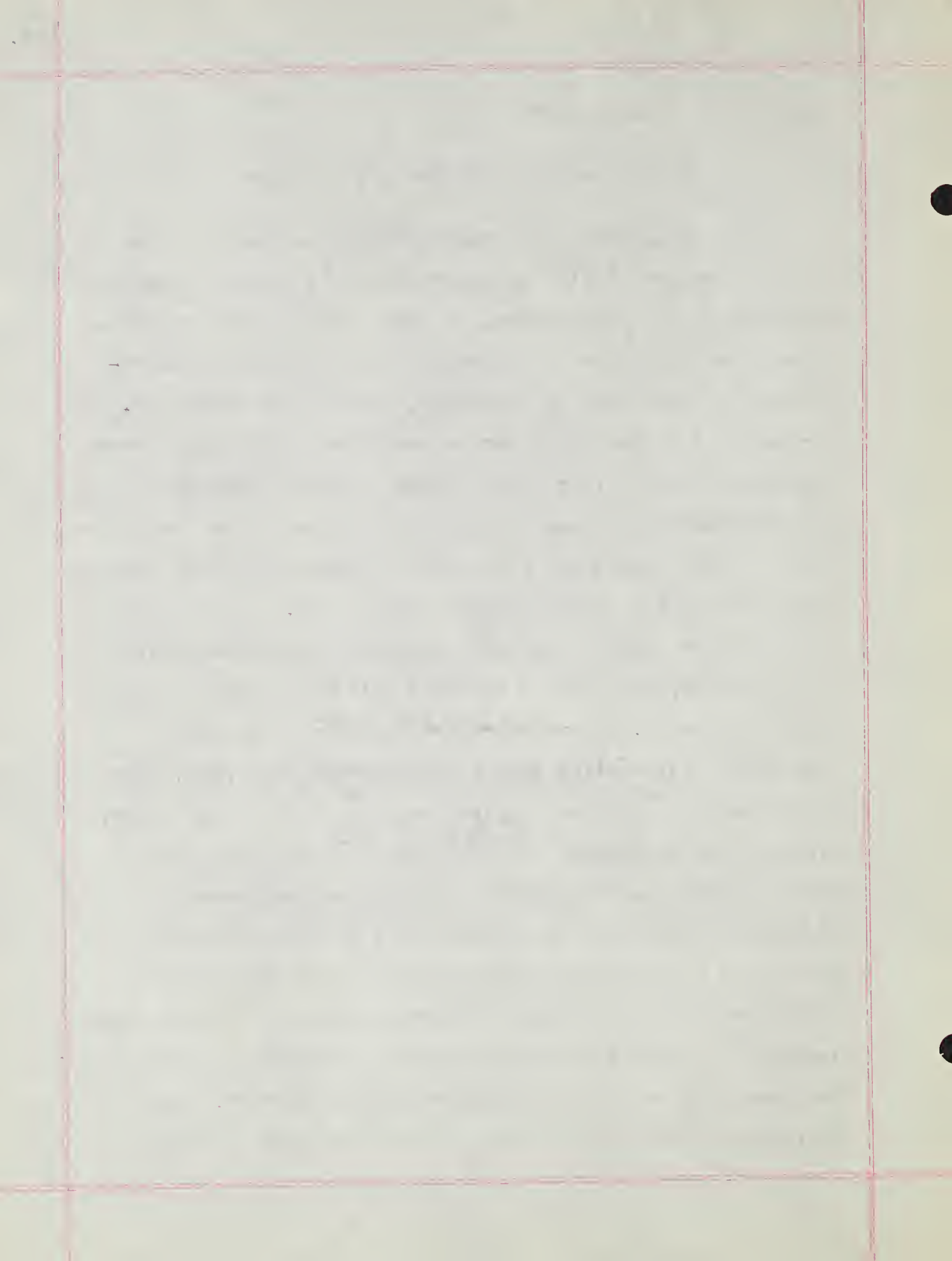


## CHAPTER IV

## PRESENT DAY ECONOMIC SYSTEMS COMPARED

In order better to appreciate our own economic set up, it is necessary that we understand other economic systems operating in the world today, so that we may preserve a sense of proportion and have reasonable rather than emotional reactions to terms such as communist, fascist, or socialist. During the past decade of strain and stress, there have been those who would have us jump blindly into the abyss of complete economic change, and there have been those who would have us stand firmly but with equal blindness by every tenet of our traditional economic system, good or bad.

We hear much today of capitalism, socialism, fascism and communism, but those words have different meanings to different people. It is difficult to define them with precision, because they differ in different countries, they do not exist in a pure form, and they change from day to day. Italian Fascism changes with the whim of Mussolini, German Fascism depends on the brain of Hitler, while Russian Communism is today in the firm grip of Stalin. Political and social implications of these systems tend to obscure their economic significance. The boundary lines between them are vague. Is Sweden a capitalist or socialist country? She shows evidence of belonging in both categories. What is socialism? Politically speaking there are over a dozen



brands of socialism in France alone, and the economic differentiation is almost as great. Each country today has its own socialist groups some conservative and some divided by an extremely thin line from the communist. Is the Union of Socialist Soviet Republics a communist country today? It is not according to the followers of Trotsky, yet that Union and communism seem to most of us to be inseparably joined.

### 'Capitalism

Extremely individualistic capitalism rests on the rights of the individual to hold property production of wealth for a profit, the right to employ labor at the lowest possible wage, free competition and a hands off business policy by government. We have never really had such a system, and we are going farther and farther away from it. Government has always aided business in this country by means of tariffs and subsidies. The selling of bread as a commercial enterprise was regulated in Massachusetts before the Revolution. We have had government ownership of schools, parks, hospitals, police, health and fire departments and even electric light companies for years and think nothing of it, but these are all tendencies away from extreme capitalism. It is true that we have had a good deal of unregulated production for profit and hiring of labor as a commodity, but today our attitude toward the latter practice is changing. We have government regulation of business and trade by means of the Inter-State Commerce Commission, the Federal Trade





Commission, The Sherman Anti-Trust Act and the State Public Service Commission. We have found that we cannot depend on the workings of free competition to safeguard the public in the production of prepared foods, the management of insurance companies or the trading of stocks and bonds. We have resorted to government regulation, and that regulation is a step away from pure capitalism.

However, capitalism, whether in pure or modified form, has proven itself successful in many ways. It seems to be the best system yet devised for the production of wealth; it has multiplied and cheapened commodities and, by raising wages, has put those commodities into the hands of the masses. It has evolved a new way of life and given luxuries to the many. On the other hand, while its system of production is excellent, it sometimes fails to provide proper consumption of goods in a crisis. It has not abolished poverty or eliminated unemployment. It has not eliminated depression, slums or unsanitary working conditions, and, last but not least, has not made for economic security although the Social Security Act is attempting to do so.

In time of depression the short comings of capitalism seem more evident than its successes. There are some who would give up the struggle in disgust and have us change our way of life. They point out that some foreign countries have solved their problems better than we have ours. It may be true some of them have. The Scandinavian countries



have established economic security by means of a combination of capitalism, a mild form of state socialism and the development of cooperatives, but there are many experts who maintain the Scandinavian methods are not suitable to the American economic set up or the American temperament. In general, however, agitators do not point out the slow and solid evolution in Scandinavia as a pattern for us to follow but rather the violent revolutions in German, Italy, and Russia.

### Communism

Pure communism is a system under which everyone shares alike from the common storehouse according to his need no matter how much or how little he cooperates in filling that storehouse. Pride and conscience rather than an empty stomach or a desire to see one's family taken care of are supposed to be the motives for work. The theory is beautiful but except in a few, rare, primitive communities it is still a theory. No one has ever tried to make it work.

The Union of Socialist Soviet Republics is not a communistic country and has not tried to be. Its government and its economic set up are socialistic and based on the peculiar needs of the country as its leaders see them.

Marxian communism is a system based on the needs of industrial workers. At the time of the Russian revolution, Russia was a backward country from an industrial standpoint. Besides the alluring diversion of trying to stir up world revolution which has fallen rather flat, Soviet energy has





been devoted to industrialization. The success in this field is pointed out by American communists as one reason why we should play follow the leader with the Soviet Union as leader. But Eugene Lyons who for years was a communist of the American variety but lost some of his enthusiasm after being the United Press correspondent in Moscow and seeing for himself what is actually going on in the Soviet Union, minimizes its industrial achievements. In the first place, Russia was rapidly industrializing before the World War, and the Communists had merely continued the process with much boasting and blowing of horns in celebration. In the second place, the Soviet rate of industrialization has been approximated by other backward but non-communist countries such as Turkey and China. In the third place, Soviet industrialism has been brought about to a large extent by the purchase of the brain power and experience of capitalist American engineers who have had a difficult job in accomplishing as much as they have because of Soviet inefficiency, bureaucracy, and buck-passing.<sup>1</sup>

Lyons further criticizes Russian Communism because it has ceased to be democratic. Stalin has been elevated to a position of semi-divinity similar to that of

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1. Eugene Lyons Assignment in Utopia, chapter 12



Hitler and Mussolini in their respective countries, it is treason to question his least decree. Absolute conformity is the rule. Initiative or freedom of any sort are stifled. The autocratic attitude has penetrated down to the minor bureaucrats who have an abnormal authority due to the union of both political and economic control in the hands of the government. Lack of responsibility to the people has often made these minor officials both overbearing and careless. Their work is not well done. The central government is forced to crack down hard. It attempts to get efficiency through fear. Minor mistakes in judgment by an executive may warrant the death penalty. There is a little deliberate sabotage, but most Soviet inefficiency is due to incompetence. The men are not trained for the jobs they hold. Knowing that if they act and that action does not turn out well they may be executed, they have become masters of the art of buck passing, and doing nothing, thereby breeding more economic waste. Suspicion and espionage have ruined the morale of the Soviet Unions economic system.

Soviet industrialization has been put on a war hysteria basis. The people deprive themselves in order to develop the future. Soviet resources have been invested in capital goods to speed up industrialization, but the standard of living has not risen much. Communism was supposed to be a government by the workers to give them





more of the comforts of life. It has turned out to be a government of the workers by a small self ordained obligarchy which has crushed the liberty of the individual. Human life is valued less than a machine in the U.S.S.R. Murder is punished by a few years in prison; industrial inefficiency, by death.

In democratic countries labor has used the union as a means of obtaining justice. In Russia the government has taken over both industry and the union, but union members cannot strike for that would be treason. They must work for the government at the government's own terms in respect to wages and working conditions. Working conditions and living conditions do not approach those of our own country. The abnormal rate of industrialization has concentrated large numbers of people in small areas, but housing construction has not progressed in proportion. People live under extremely crowded conditions worse than our slums.

A small group of men in the U.S.S.R. have taken it upon themselves to play the part of God by arbitrarily decreeing life or death to vast masses of Russians by decisions in economic matters. Food has been sold abroad in order to obtain money for foreign machinery when millions at home were starving for lack of that food. The kulaks, who are individualistic peasants, have been liquidated. That smooth description means that thousands of them have been



executed; thousands have had all their property taken from them and have been sent forth to starve since all jobs are controlled by the government; thousands more have been sent for forced labor camps in Siberia to work as virtual slaves. Those who are on most of the collective farms are usually little more than serfs. The government supplies them with land, buildings, tools and seed, all of which the government owns. All plans concerning the operation of the collective farms are formulated at a central government planning bureau, and the crops are divided between the farmer and the government as the government sees fit.

Idealists point to the Soviet Union as a place where inequalities due to accidents of birth have been eliminated. It is true that the old aristocracy has been destroyed, but there has merely been a substitution of new inequalities for the old. The laborer has been exalted in theory, but the middle and upper classes have been debased in fact. The curse has been carried to the second and third generations. Anyone whose father was a petty shop keeper or had a small farm on which he had one hired laborer is considered an enemy of the state no matter how sympathetic he is toward the Soviet regime or how harmless he may be. Enemies of the state cannot find jobs. They are starved out of existence or sent to forced labor camp.

This unreasoning hatred for the upper classes is particularly felt against the intellectuals and all those





who have had any education. Some of the best academic and technical intelligence in the country has been destroyed or is allowed to rust. This is economic waste, for these men could properly run many of the enterprises that are now being mismanaged, and enterprises are being mismanaged ! One explanation of the lack of unemployment in the U.S.S.R. is the fact that it takes two men to do the work one man should do. Another explanation is that man power is being used to develop vast natural resources just as it was so used in the United States during the latter part of the eighteen hundreds. Most of the achievements which the world has been led to believe already accomplished in the Soviet Union have never advanced beyond the blue print stage.

Investigating committees of foreigners do not spread the truth, because they are usually hand picked by the Russians. Those foreigners who come to the U.S.S.R. and depend on Russian permission to remain in the country for their livelihood, can not afford to see unpleasant truths. They close their eyes to whatever they know they are not supposed to see.

The reason why foreign communists are not liked in the Soviet Union is that they are usually idealists who revolt against the cruel realities which they see at first hand. U.S.S.R. is a totalitarian state. Its creed is that the state is worthy of every sacrifice by the individual and of the individual. Human rights do not count. This is the explanation of the sacrifice of the happiness of so many in



order to help obtain objectives which government leaders are seeking. Just as early capitalists regarded labor as a non-human commodity to be bought at the lowest price with no regard for the welfare of the laborers as human beings, so do the builders of the new Soviet State regard the people of their country in an aloof, calculating manner as building material to be used up in the process. The inhumanity of early capitalism has been greatly modified. The inhumanity of the Soviet Union overshadows it.<sup>1</sup>

### Fascism

Another system that is being widely advocated is fascism. Fascism points to the inefficiency of democracy due to divided authority. It maintains that in a country without unlimited resources it is necessary that economic life be highly organized in order to prevent wasteful conflict. However, fascism also stands for a political dictatorship controlling that economic life. It maintains the need for a totalitarian state and in this respect resembles the Russian system.

In Italy, the first of the modern fascist states, the aftermath of the World War was responsible for the opportunity open to Mussolini and his blackshirts. Italy felt tricked and cheated by the Versailles treaty. She did not get much of what had been promised her in regard to

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1. Eugene Lyons Assignment in Utopia





territorial expansion in Europe and Africa. Her resources had been strained by the war. Unrest was evident and there seemed to be a danger of Russian communism. There were railroad strikes, and in some cases workers seized and operated factories.<sup>1</sup>

Seldes says that the danger of Bolshevism was already over before fascism got started. He quotes a statement of Mussolini in the Popolo d' Italia, July 2, 1921 over a year before the march on Rome. "Bolshevism is conquered. More than that it has been disowned by the leaders and the people."<sup>2</sup>

In December 1920, three months after the workers seized the factories, Mussolini in the Popolo d' Italia said that the workers had taken more moderate attitude due to the report unfavorable to communism which an Italian delegation to Russia had brought back. Mussolini adopted the myth of his defense against Bolshevism later in order to win the sympathy and financial assistance of the capitalist countries which were suffering from a red scare.<sup>3</sup>

Much has been made of the Fascist corporative state in which complete industries are integrated and all

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1. Walter C Langsam- World Since 1914, chapter 14

2. George Seldes Sawdust Caesar, chapter 25

3. Ibid.



the parts work smoothly without friction. In 1933, years after Italy was supposed to be all incorporated, it was revealed that one lonesome industry, that of the stage, had been successfully incorporated.<sup>1</sup> As in Russia the worker has lost the right to strike. Disputes are settled by government mediation and the government is a dictatorship not responsible to the people. Wages have been reduced more than cost of living has been reduced. In July 1930, the International Labor Office of the League of Nations reported the real wage index of ten countries with Italy the lowest at 39 as compared with 190 for the United States and 73 for Germany which was still a republic at that time.<sup>2</sup> According to the League of Nations living costs dropped only 10% and wages 40 to 50% and cost of living only 5%.<sup>3</sup> A Fascist reporting on the standard of living in Italy said:

"I arrived at this disturbing conclusion: that the food ration per head and per day amounted to only 3,100 calories-i.e., to 200 calories less than the physiologists consider necessary for adults. Our ration is probably lower than that of any other European country!"<sup>4</sup>

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1. Fausto Pitigliani-The Italian Corporate State, p.110
  2. League of Nations Bulletin Mensuel de Statistique p.74
  3. Gaetano Salvemini-Under the Acts of Fascism, Chap. 11
  4. Italian Parliamentary Reports, December 5, 1929





Eugene Lyons found when he visited Italy that conditions there from a short observation resembled those of the Soviet Union. The self same arguments for a totalitarian state for the long range view of economics which sacrifices the well being of the individual at present for possible achievement in the future, and for censorship which were presented in the U.S.S.R. were also presented in Italy. Mussolini practices the same abuses of the human rights of the individual that Stalin does and also rules by blood and iron. However, Mussolini has enlisted the aid of the upper classes by giving them protection. He has maintained some aspects of the capitalistic system because he thinks it expedient, but according to the theory of totalitarianism, if he thought it necessary for the good of the state, Mussolini could wipe out all vestiges of capitalism in short order.<sup>1</sup>

German Fascism is similar to the Italian brand except that it has not tried the industrial corporation plan as extensively. Like Italy it is based on economic nationalism, and self sufficiency. This increases cost of production and cost of living. Fascism emphasizes the war like spirit and glorifies the army. Both Italy and Germany solved their unemployment problem by putting men in labor camps in the army or at the making of substitutes for articles that could be more cheaply purchased abroad.

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1. Gaetano Salvemini Under the Acts of Fascism



### Summary

I realize that I have not given sufficient space to the upholders of Sovietism and Fascism to consider my discussion completely impartial, but even allowing for bias on the part of the men whose findings I have quoted, I think those findings are sufficiently authoritative to point out that however agreeable those systems may be to the inhabitants of the countries in which they exist, they have little to offer us. Those people who advocate changing our economic system do so as a rule because they hope that the change will bring more material benefits to the masses. Fascism definitely **does not promise such benefits, but urges its followers** to tighten their belts and sacrifice for the good of the country. Sovietism promises material benefits in the distant future, but for the present also advocates the tight belt policy. Both systems exist in countries where democracy never had deep roots, therefore the dictatorship would be intolerable to the American people with its strong tradition of democracy and personal liberty.

There are many individuals and a few organizations such as the Liberty League who believe that the only way to progress is to go backward in our economic theory to extreme capitalism. Such people long for the good old days which can never return and see those days through rosy glasses. But fundamental economic conditions have changed. We are becoming an old rather than a young country. Our





resources are no longer unlimited and must be used wisely. Men who find difficulty in adjusting themselves to their environments can no longer 'Go West' for a free homestead, but must stay and make adjustments. If many men cannot make adjustments their discontents will boil over, and its heat will blister society. In order to make that adjustment, cooperation is necessary. Today the most pressing causes of social strain are economic. ~~Therefore,~~ economic cooperation and organization for cooperation are necessary.

However, what form that organization and cooperation are to take is still an open question. Many men are firmly set against all efforts of this type, because they dislike particular provisions of the New Deal. They long for the good old days because some specific laws irk them. I hold no brief for the New Deal. The wisdom of most of its legislation is at least debatable. Some of its administration may be mismanaged. It may be wasteful in some respects. But even if these faults are real, that still does not mean that some sort of cooperation is not necessary. It may not be the New Deal, it may not be the Scandinavian system, but some peculiarly American method must be evolved to meet our particular needs.

America is traditionally a democratic country. Democracy to exist at all must be operative in three fields, political democracy, social democracy, and economic democracy. I would define the type of economic democracy we



need as follows:

"Economic democracy is a comprehensive term embracing all those movements and tendencies that make for the elimination of inequalities in the occupational world. It demands a wider and more equitable distribution of wealth among all who work by hand or brain. It postulates a more representative and cooperative control with respect to business policies and conditions; a recourse to government functioning when the public interest requires it and an increased consideration of those who are industrially weak. Its keynote is cooperation and its watchword is sharing. As an economic system it holds mid place on the scale between private capitalism on the one hand and communism on the other. America long committed to a scheme of private capitalism slowly approaches it; and the pace increases as the short comings of the traditional system are revealed."<sup>1</sup>

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PART II

PRACTICAL MATERIAL



## CHAPTER V

### OUTLINING A COURSE OF STUDY IN ECONOMICS

The following suggestions are not intended to be a comprehensive or detailed outline of a course of study. All I am attempting to do is to present certain basic objectives, subject matter, and methods which some teachers would find of value if they were confronted with the necessity of revising their economics curricula. Others might incorporate some of these suggestions into the courses of study which they are already using.

#### Objectives

In regard to objectives, I believe that those formulated by Tryon, a member of the COMMISSION on the SOCIAL STUDIES of the AMERICAN HISTORICAL SOCIETY will serve as a good working model. They are as follows:

1. An understanding of the processes by which one gets a living.
2. The ability to form intelligent judgments on economic issues.
3. A vivid awareness of economic problems and of the role played in economic thinking by prejudice and special interests.
4. A clear conception of the meaning of economy.
5. An understanding of fundamental economic generalizations.





6. An understanding of the weak and the strong aspects of our present day economic order and an unselfish desire to assist in creating an economic order in which the weak aspects will be reduced to a minimum.
7. The habit of refusing to accept unsound principles of business.
8. The power to resist high pressure salesmen either in a personal interview or over the radio.
9. A correct understanding of money, capital and distribution and the ability to detect and the willingness to combat the many dangerous fallacies connected with them.
10. Economic intelligence, meaning the ability to do productive thinking.<sup>1</sup>

To these I would add two others as follows:

11. An understanding of economic nationalism.
12. An understanding and appreciation of economic democracy.

#### Suggested Subjects for Development as Units

1. The relationship of **economics** and history
  - a. A comparison of economic life in early America and today.
  - b. The Agricultural Revolution .
  - c. The Industrial Revolution.
2. Taxation
  - a. Why we must have taxation in some form.
  - b. Direct and indirect taxes.
  - c. Who pays the taxes.

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1. Rolla Milton Tryon, The Social Sciences as School Subjects  
p.337



3. Agriculture
  - a. How the World War helped create present day problems of the farmer.
  - b. One crop farming.
  - c. How the AAA, the Resettlement Administration and the Department of Agriculture are trying in different ways to help the farmer solve his problems.
4. Labor
  - a. Why men strike.
  - b. A brief summary of the history of the labor movement in United States.
  - c. A comparison of the American Federation of Labor, Committee for Industrial Organization and the Company Union.
  - d. The status of labor in Europe today.
  - e. The effect of mass production and the belt system on labor.
  - f. Labor as a source of purchasing power.
  - g. The Wagner Act and the Labor Relations Board.
5. What is Capitalism<sup>1</sup>
6. Comparison of present day economic systems<sup>2</sup>
7. The Corporation
  - a. Historical background of joint stock companies.
  - b. Advantages of Disadvantages of the corporation.
  - c. Terminology such as:  
Shares, stockholder, bonds, dividends, directors, president and watered stock.
8. A brief summary of standard economic laws
  - a. Supply and Demand.
  - b. Diminishing returns.
  - c. Other laws at the discretion of the teacher.

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1. Appendix A, p.86

2. Appendices B,C,D, pp. 88-93





9. Management of business<sup>1</sup>
10. Government regulation of business<sup>2</sup>
11. Economic nationalism<sup>3</sup>
12. Advertising and instalment buying
  - a. The legitimate functions of advertising and instalment buying.
  - b. Their abuses.
13. Economic democracy
  - a. The relationship of political democracy, social democracy, and **economic** democracy.
  - b. A detailed and illustrated explanation and amplification of the definition of economic democracy.<sup>4</sup>

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1. Appendix E, p.94

2. Appendix F, p.97

3. A Sample Unit, p.81

4. Definition of Economic Democracy, p.73



## Methods in Unit Plan Instruction

### Introducing the Unit:

1. An inspirational, revealing, introductory talk or lecture by the teacher.
2. A question and answer discussion with the class, showing the relation of the new unit to the previous experience or acquired knowledge or its vital importance to the pupil's present needs or to a present day problem in which interest may be taken for granted.

### First reading for unit perspective:

"The next step in developing the unit is to have all pupils do a piece of reading that will give them all a broad perspective of the field to be covered."

1. Extensive not intensive reading.
2. No testing for details.
3. Use class time for this reading.

### Evaluating discussions:

1. No recitation type questions .
2. This is to be kept apart from testing.
3. Much of the evaluating should be done by the teacher.
4. Open textbooks during the discussion.
5. Point out highlights.
6. Suggest correlation ~~wibh~~ with other subjects.
7. Suggest possibilities for further individual activities.



### Planning Individual Work:

"Out of the evaluating discussions pupils should come ready to pursue specific, individual study of topics and preferred interests. Volunteered suggestions and selections should be accepted and encouraged from all students if possible, although occasional negatives may be necessary for erratic whims. In addition individual conferences and, sometimes, arbitrary assignments at **this** stage of individual work may be unavoidable."

#### Individual student activities:

1. Free reading.
2. Oral reports
3. Dramatization.
4. Cooperative committee work.
5. Problem solving.
6. Discussion.
7. Interviews.
8. Field trips.
9. Construction of models.
10. Term papers or other written reports.
11. Notebook and scrap book preparation.
12. Supervised study.
13. Reports on related current events.
14. Preparation for debates.
15. Preparing exhibits.
16. Attending motion pictures.
17. Radio listening.
18. Large drawings for wall display.





19. Picture Portfolios.
20. Large and small product and industry maps.
21. Drawing cartoons.
22. Writing and delivering radio talks.<sup>1</sup>

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1. M. J. Stormzand and Robert H. Lewis- New Methods in the Social Studies, pp.11-19

#### Bibliography

Stormzand, M.J. and Lewis, Robert H., New Methods in the Social Studies, pp.11-19, Farrar and Rinehart Inc., New York, 1935.

Tryon, Rolla Milton, The Social Sciences as School Subjects, p.337, Report of the Commission on the Social Studies of the American Historical Society, Charles Scriber and Sons, New York, 1935.



## CHAPTER VI

### A SAMPLE UNIT

#### Economic Nationalism

##### Basic Generalizations:

1. Economic Nationalism by lessening interdependence of nations tends to increase the danger of war.
2. Through a long period of years, nations have tended to produce those things which it is able to produce most economically and to buy from other nations those things which they can most easily produce.
3. Living standards are higher when products can be obtained more cheaply.
4. Through exchange of goods, nations also bring to other nations a knowledge of their cultures which often has an enriching influence.
5. Shipping and trade routes patiently developed through a long period when thus disrupted take a long time to again function efficiently.
6. Those nations which have had the largest interchange of goods have had the greatest increase of wealth as well as cultural growth.

##### Specific Objectives:

1. To give the student an adequate conception of the import of the term "Economic Nationalism."
2. To discover where the major products of the earth are produced.
3. To understand the underlying conditions which make certain countries the natural reservoir for certain products.
4. To know which countries have committed themselves most largely to this policy and the reasons that have prompted them to do so.





5. To see how this policy increases the danger of war.
6. To see how living standards are necessarily lowered by producing things at home that can be obtained more cheaply abroad.
7. To examine the extent to which this policy may be justified, if at all.
8. To see if there is any connection between dictatorial forms of government and economic nationalism.
9. To appraise what the present trend is toward this policy and what influences are working against it.

Overview:

After every war of any consequence the spirit of national loyalty which has been whipped into a patriotic frenzy usually takes the form of what we call "economic nationalism" in which the nations concerned attempt to live so far as possible upon their own resources.

This appeals to the people at first as being the highest kind of patriotism. It is not until painful adjustments have had to be made that it slowly dawns upon the people of such a nation that they have been following a delusion. It will be our purpose in this unit to find out what economic nationalism is, how it operates, what are its causes and what are its results.

Of major concern to us will be to examine how this policy if followed to its logical conclusion tends to lower the cultural standards as well as the living standards of the world and to greatly increase the danger of war.



Content:

1. War as a cause of "economic nationalism."
2. Distribution of world's resources.
3. Organization of world trade.
4. Climate as an influence in raising certain products.
5. Aims of economic nationalism.
6. The functioning of nationalism through tariffs, quotas, etc.
7. Economic nationalism as an aid to self-sufficiency in war.
8. Nations in which nationalism is most dominant.
9. Fascistic countries and nationalism.
10. Communistic countries and nationalism.
11. Selfish interests benefiting by nationalism.
12. Economic nationalism and accentuation of national traits.

Problem approach:

1. How does war develop national spirit?
2. Under what conditions does economic nationalism develop?
3. Why is Germany so keen to have national self-sufficiency?
4. Which type of nation is less likely to wish economic independence?
5. Does the United States have a definite policy for or against economic nationalism?
6. What relationship have the AAA and reciprocal trade treaties to economic nationalism?
7. Why is it difficult to lower the tariff?



### Vocabulary:

1. Economics
2. Nationalism
3. Tariff
4. Economic self-sufficiency
5. Reciprocal trade treaties
6. Most favored nation treaty
7. Natural resources
8. Quota

### Suggested Activities

1. Make bar graphs showing worth of world's principal products.
2. Stage a debate in Congress on raising the tariff on certain products.
3. Make product maps of different countries showing chief products of each country.
4. Make dolls dressed in costumes of different countries.
5. Make picture notebooks of some particular country.
6. Make a scrap book with news and magazine clippings showing the development of economic nationalism.
7. Stage a pageant of all nations with costumes if possible.
8. Make posters of ships with suitable titles as "We carry the goods of all nations."
9. Dramatize a situation showing how the workman pays more for certain products after a tariff has been imposed.
10. Dramatize the closing of an automobile plant because of the imposition of a quota schedule by France.
11. The same situation could be done using the moving picture industry.





12. Make a poster using the flags of the leading countries of the world with the suitable title.
13. Dramatize the closing of the Liverpool mills during the Civil War because of the Northern Blockade.
14. Draw a cartoon representing England as the owner of most of the world's rubber supply.



## APPENDIX





The following appendices are taken from subject matter outlines in use at the Belmont Junior High School, Belmont, Massachusetts:

Appendix A.

CAPITALISM

Capitalism is a system in which the means of production-land, mines, factories, machines- are owned by individuals and by relatively few people. The owners of the means of production employ for wages the great mass of people.

1. The owners-or capitalists aim to conduct their business in such a way to make a profit.
2. They wish to meet expenses, costs of labor, and besides to have a return on their investment.

In modern industrial nations capitalism is the prevailing system.

1. It is a comparatively new system
2. It emerged in the Eighteenth Century.
3. It rose with the factory system of labor and the great increase of laborers employed.
4. Before the machines things were made at home. Early American life as lived by our pioneers was very simple.
5. Steam, electricity, machines, changed everything. Factories were built to employ hundreds. The whole social order of living was changed. It became complex and different.
6. Business became complex through its very greatness.
  - a. Men pooled their funds in partnership.
  - b. The corporation became the next step. This is the popular form at present.
  - c. To increase or get more capital to run business shares of stock were sold to the public. Stockholders receive dividends as a return on their investments if the company is successful. Three-fourths of the



business in the United States today is done by incorporated firms.

#### Capitalism's creed:

1. Capitalism as a system rests upon:
  - a. The sacredness of private property.
  - b. Freedom of initiative and industrial enterprise.
  - c. Right to private profits.
  - d. Free competition in open market.
  - e. Rugged Individualism.
  - f. Capitalism prefers a "hands off" policy by government.
2. The United States Government has regulated it some through:
  - a. The Interstate Commerce Commission
  - b. Federal Trade Commission
  - c. Sherman Anti-trust Act
  - d. The State Public Service Commission.
  - e. The National Industrial Recovery Act. (N.R.A.)

This last was declared unconstitutional.

#### The Record of Capitalism:

1. The Most successful system for production of wealth ever tried.
2. It has multiplied commodities greater than any other system.
3. It has cheapened commodities greater than any other system.
4. It has amassed fortunes for the industrialists.
5. It has raised wages.
6. It has put luxuries within reach of average man.
7. It has evolved a new way of life.
  - a. Automobiles, electrical refrigerators, reapers, radios, free schools, libraries, clinics, etc.

#### Its failure:

1. Launched mass production but failed on mass consumption in a crisis.
2. Has not abolished poverty.
3. Has not prevented depression.



4. Has not eliminated unemployment
5. Has not eliminated slums and unsanitary working conditions.
6. Has not made for economic security.

Capitalism has produced industrial leaders who have become the real leaders of the nation:

1. They control finance, industry, politics.
2. They have not met this responsibility adequately--hence government interference.

The New Capitalism now being constructed:

1. Must assume economic security of workers.
2. Business and government must work together to relieve unemployment.
3. Business or government must employ insurance form of protection. Social Security Act and Unemployment Act aims to do this.
4. Must raise wages to obtain a higher standard of living.
5. Must achieve social justice and economic democracy.

#### Appendix B

#### SOCIALISM

Socialism advocates the transfer of the principle industries from private to public ownership.

It demands:

1. An increase in income and inheritance taxes.
2. The abolition of tax exempt securities.
3. Direct election of President and Vice President.
4. The Initiative and referendum.
5. Nationalization of banking.
6. Six-hour day and five day week.
7. Federal aid for relief and public works.





8. Free public employment agencies
9. Social Security Insurance for accidents, sickness, maternity, unemployment and old age.
10. Publicly owned marketing agencies.
11. Land banks.
12. Social insurance against crop control.
13. Prohibition of sale of munitions to foreign countries.
14. Cancellation of interallied debts if armaments are reduced.

Many of these demands have already been met by the New Deal.

Communist's and Socialist's aim is the same-that is to abolish private profit; their methods of approach are different:

1. Communism would overthrow the old order. Socialism would gradually gain control by constitutional initiative.
2. Communism abolishes all private property and private initiative. Socialism works for a more controlled and just distribution of incomes by increasing taxes on inheritances and incomes. It does not aim to crush initiative-especially handicraft workers, artists, and "intellectuals".
3. In America the Socialists preach Consumer Cooperatives:
  - a. Members pay dues and have one vote.
  - b. Members receive back any surplus left after all expenses are paid. There are about 2000 cooperative stores in the United States but they do a relatively small business.
  - c. It would do away with the middle man and extend public ownership.

#### Socialists Views:

1. The Socialist believes the government ownership has proved successful in public schools, parks, playgrounds, postal service, water systems and highways. All those they point out, were formerly private enterprises.
2. The Government has operated successfully in such projects as the Holland Vehicular Tunnel- The Panama Canal.



3. Government control would eliminate political control by placing activities under Boards of Directors.
  - a. The Boards to include persons with practical experience.
  - b. Representatives of consumers and workers.
4. The aim would be to provide cheap, efficient service to the community, not in accumulating dividends for stockholders.

#### Those Opposing Socialism:

1. Socialism is not suited to American conditions and temperament.
2. That Government has never proved it can operate more efficiently than private ownership.
3. That in public ownership losses would be made up in increased taxes.
4. Public ownership would not take the risks in developing new industries.
5. That public ownership would retard industrial progress.
6. Public ownership would eventually become entangled in politics.
7. Enterprises would become handicapped by unwieldy bureaucracy. That public ownership would tend to destroy initiative in industry.
8. That capitalism can be adapted to modern conditions where it will bring the greatest good to the greatest number of people.

#### Appendix C

#### FASCISM

After the World War and his Black Shirts formed a bulward to fight Socialism and Communism, and restore public order. Fascism was formed in 1919. Mussolini has transferred practically all power to himself and the Fascist Grand Council which he controls. The King and the Chamber of Deputies are mere figureheads.

The country votes as a single district for the Chamber of Deputies. A list of candidates is prepared by trade unions and other legally recognized organizations. The Grand Council chooses 400 to present to the people for





"Yes" or "No" votes. Thus the people can only ratify the choice of the Grand Council.

The Fascist Oath:

"I swear to follow without discussion the orders of Il Duce and to serve the cause of the Fascist revolution with all my strength and, if necessary with my blood."

Members vote as members of trade unions and not as residents of any place.

Good Points:

1. Restored peace and order to Italy.
2. Increased production.
3. Eliminated labor trouble.
4. Revived Italian prestige at home and abroad
5. It encourages private initiative in production.
6. Compels all classes to cooperate for public good.
7. It abolishes strikes and lock-outs.
8. It is strongly nationalistic.
9. It has built modern dwellings, sewerage system, and cleaned cities.

Bad Points:

1. Dictatorship is tyranny.
2. People have parliamentary government.
3. It has destroyed freedom of press and speech.
4. The syndicates stifle workers.
5. It curtails personal liberty.
6. It places state superior to the individual composing it.
7. It crushes the theory of popular sovereignty.



8. It crushes opponents ruthlessly.
9. It invests too much power in one individual.
10. It is likely to cause revolution or disintegration if the dictator falls or dies.

#### Appendix D

#### COMMUNISM

It is a system which abolishes private property and private enterprise. It was established in 1917. The State owns the factories, tools, mines, stores, farms and most of the land. Every citizen works for the State.

The profits go to the State and not to individuals. Men, women and children are organized to work for an industrialized Russia. The farms and lands are re-organized **into** great collective and state farms with modern equipment and the large cities **teem** with thousands of workers- men and women- who are employed in great factories. The dominant tone is atheistic, doing away with Christianity in all forms. The state is supreme.

The government is a system of Soviets or "Workers council" to which delegates are elected. It ranges from councils in factories and villages to a Congress of Soviets in each republic and a Union Council, the crowning organization. The Union meets once a year. The government is carried on by various committees. Dictator Joseph Stalin is the head. Party discipline is very strict. Membership in the party is considered an honor and must be applied for. Communist is the only party-no other party is tolerated. All over eighteen may vote excepting monks, clergy, and domestic servants, apprentices, business men and landlords. The Gosplan, State Planning Commission, keeps an eye on the whole Union. It knows and coordinates the whole Union structure from the making of automobile to buying books for schools.

#### Good Points:

1. Provides employment for all.
2. It is developing the natural resources of the country.
3. It is teaching trades.
4. It is providing a limited education for all.
5. It is modernizing the country through the



use of machines, etc.

6. It has broken down class relationship.

Bad Points:

1. It has confiscated the lands of its inhabitants.
2. It takes away the initiative of the people.
3. It has reduced the self respect of the people.
4. It has broken the home life and lowered the morals of the people.
5. It kills independence and freedom.
6. It places value on industry and not on life.
7. It encourages the espionage system.
8. It makes for poor, simple living.
9. It degrades the real culture of civilization.
10. It makes for merely materialistic living.
11. It dehumanizes the population.
12. It is strongly internationalistic-breaking down existing governments.
13. It is dominated by a strong dictatorship government.
14. It compels the acceptance of atheistic, anti-Christian doctrine.





## Appendix E

THE MANAGEMENT OF BUSINESS

**Purpose:** We all know that man has in great degree subdued nature's forces and caused them to work for him. We have also seen how he has used land and other natural resources to obtain crops and ores that he might make for himself a living. In order to do this he had to constantly labor. But labor cannot be done without money or management. Therefore, we are to study this unit to better understand the management of business and the business man. We must also know something of the forms of business organization, the importance of capital in the business operation, the control of commodities, marketing methods, and the common problems of the business man in his relations with business associates and in his community. We will begin with:

## The Business Man in Modern Life:

1. Who is a business man and what are his duties?
2. Why do men go into business? How does the community benefit? Control it?
  - a. What do we mean by Business Management?
3. Who is qualified to enter business? Percentage of failures?
4. List things a business man must do when entering business. His danger?

## Simple forms of Business Organization:

1. Explain "Single Proprietorship". Is it a good system?
2. The meaning of "Partnership" . Arrangement of profits or losses.
  - a. Give the law on debts or death.
3. The "Corporation"- How organized?
  - a. The Law about corporations
  - b. The charter- What it must contain. Are all state laws the same?
  - c. The Money necessary to operate under a charter- How obtained?



- d. The organization of stockholders
- e. Advantages of a corporation
  - 1. Compare the liabilities of a stockholder in business with a stockholder in a bank.
- f. The advantages of a corporation over its creditors.

#### Capital in Business:

- 1. What is capital? Is wealth or money capital? Explain
  - a. Capital goods? How used.
  - b. Is every stock or bond holder a capitalist? Explain.
- 2. Stocks and Bonds- "above and below par"-explain
  - a. The best stock-"preferred or common"- why?
  - b. Is every stock or bond holder a capitalist? Explain.
  - c. "Watered stock"- how used?
- d. What laws protect stock investors?
  - 1. What should one do before investing in stocks?

#### Large Scale or Mass Production:

- 1. Its requirements? Advantages and Disadvantages?
- 2. What are "By-products" and what value have they?
- 3. Toll effect of large scale production on capital and labor.
- 4. The formation of trusts- How do they differ from corporations?
- 5. Is a "merger" combination a good thing?
  - a. The people's attitude toward business organizations. Why?

#### Monopoly in Business:

- 1. The danger of monopoly in business.
- 2. How does the monopoly serve the public?
- 3. Name the common forms of monopoly. What are some personal monopolies?
- 4. What is the future trend toward monopolies?





5. Which do you consider the most dangerous monopoly? Why?

#### Some Methods and Problems of Present Day Marketing:

1. "Marketing" as used in business.
2. Are "Middlemen" necessary in business? How?
3. The Department Store- its organization.
  - a. Necessary qualifications for an employee.
4. The Chain Store- How organized?
  - a. The feeling existing between the Chain Store and the independent dealer. Is it justifiable?
5. Which would you prefer to be, a proprietor of an independent store or a manager of some chain store?
6. What is a "mail order house"?
  - a. Do you think this a good slogan, "Patronize your neighborhood store"? Why?

#### Advertising:

1. Give reasons for extensive advertising today.
2. What are some of the various forms used? Is it expensive? Is it justified?
3. Qualifications you should have for the advertising business.
4. Which is better- business that depends on advertising or business depending on reputation?
5. Explain the phrase, "what is in a name". Is it a money maker? How?

#### Special Problems in Business Management:

1. Tell some of the outstanding problems.
2. How do they react on the people?

#### For Discussion:

1. Compare the problems of the average farmer to the proprietor of a small city store.



2. Do you think it is good policy for the farmers to pay their helpers half in money and half in crops?
3. Does cooperative marketing give the farmers any of the advantages of monopoly?
4. Farmers have sometimes destroyed their crops rather than sell them for low prices while city children went hungry. Is this condition necessary? Suggest ways to correct it.
5. What proportionate value do you place on personality as compared with capital in business?
6. What can be said for and against the entrance of women in industry?
7. Why is the United States spoken of as the richest country in the world?

Appendix F      HOW OUR GOVERNMENT AIDS AND CONTROLS  
BUSINESS

Our government does much more than provide coins and paper money for doing business. It is vitally interested in making business benefit the country as well as the individual engaged in it. To achieve this end, it must properly guide business. Sometimes it restrains it or forbids it. More often business is aided by the government. Opinions differ as to how far government should enter into the business world. Some people believe it interferes too much, others would have the government go much further and control all land, property and industry.

The Importance of Private Business Today.

1. Value of private property.
  - a. What Lincoln thought about private ownership.
  - b. How People abuse it.
  - c. How private property is protected.

How Government aids Business.

1. Eight ways the government aids business.
2. The Protective Tariff- its effect on business- who benefits?



3. Revenue and protective tariffs-effect on farmer- industrialist?
4. The good and bad points of the protective tariff- some opinions given.
  - a. The Tariff Commission- its value.

How Government restrains business.

1. Enumerate the ways government restrains business.
2. Laws that protect the people's welfare.
3. The control of Public Utilities- what they are- name some.
4. Franchise and public utility.

How Public Utilities are Controlled.

1. National Grange- its work.
2. Interstate Commerce Commission- its organization work and importance.
3. How the Public Service and Federal Trade Commission functions.
4. Power control- Federal Power Commission.
  - a. Difficulties encountered by electric light situation.
  - b. Small power companies and state control.
5. The Trusts- Work of Theodore Roosevelt.
  - a. The Clayton Anti-trust law- its purpose.
  - b. Feeling toward railroads.
6. Government and Public Utilities.
  - a. Reasons for and against government ownership.

Floor talks:

1. Should the Federal Government have the power to fix the prices of the necessities of life?
2. Should the Federal Government own and control such utilities as gas, oil, electricity and coal?

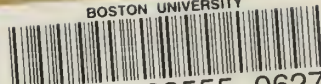




3. Can too much power be vested in the masses?
4. Do you agree with this statement, "Liberty can be no more secure than the standards of those who govern us permit it to be."
5. Should public buildings, auditoriums, and other meeting places be opened to American citizens for the purpose of free and honest discussion regardless of their views on economic, political, or social matters?
6. Marcus Aurelius wrote, "The worst tyrant is he who destroys the liberties by which men grow in intellectual, spiritual, and moral stature." What do you think about this? Does this apply to the world today? How?
7. How does our Government conform to the ideals of Marcus Aurelius?



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